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ABSTRACT

Included in these Senate hearings on rural development are statements from representatives of the following: (1) National League of Cities and the U.S. Conference of Mayors; (2) National Association of Community Development; (3) American Institute of Planners; (4) National Farmers Union; (5) Business International; (6) National Service to Regional Councils; (7) Farmers Union Grain Terminal Association; (8) National Milk Producers Federation; (9) Midcontinent Farmers Association; (10) National Planning Association; (11) Natural Resources Department; (12) West Virginia Institute of Technology; (13) National Rural Electric Cooperative Association; (14) National Council of Farmer Cooperatives; (15) Neighborhood Services Center; (16) National Rural Coalition; (17) National Grange; (18) National Association of Counties; (19) Women's Committee, American Farm Bureau Federation; (20) National Farmers Organization; (21) National Association of Conservation Districts. Among the miscellaneous documents presented are; (1) Evaluation of Resource Conservation and Development Projects; (2) Benefits of Watershed Projects; (3) Members of Coalition of General Farm and Commodity Organization; (4) Analyses of the President's department reorganization and revenue sharing proposals; (5) Information submitted by the Forest Service and the Departments of Labor; Agriculture; Transportation; and Health, Education, and Welfare. (JC)

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RURAL DEVELOPMENT

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON RURAL DEVELOPMENT

OF THE

COMMITTEE ON
AGRICULTURE AND FORESTRY
UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

1. BALANCED NATIONAL GROWTH POLICY
2. NATIONAL RURAL DEVELOPMENT PROGRAM
3. S. 1612, THE RURAL COMMUNITY DEVELOPMENT REVENUE SHARING ACT OF 1971
4. REORGANIZATION OF U.S. DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES

PART II

APRIL 29: JUNE 16 AND 17, 1971

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RURAL DEVELOPMENT

THURSDAY, APRIL 29, 1971

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 2228, New Senate Office Building, Hon. Hubert H. Humphrey presiding.

Present: Senators Humphrey, Miller, and Curtis.

Also present: Senator Aiken.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. The committee will be in session.

I would like to make just a few remarks; a brief statement, prior to the presentation of our first witness, former Secretary of Agriculture, former Governor of our State of Minnesota, Mr. Freeman.

Today's hearings are the second in a series of hearings that this subcommittee will conduct on what we call rural development. Last week the subcommittee began its hearings by having administration witnesses appear before us and testify concerning the President's program on special revenue sharing for rural community development.

Next week the subcommittee will go to the field. We will begin our hearings away from the Capitol by the committee going to Sioux City, Iowa, on May 3, May 4, over the Vermillion, S.D.

The basis for the mission and the mandate of the Subcommittee on Rural Development is contained in title IX of the 1970 Agricultural Act, which is a rather broad one. The authority for the committee operations are based upon Senate Resolution 76 of this session of Congress. Last year Congress passed an amendment to the Agricultural Act of 1970 which provides a framework for intensive legislative action on the subject of rural development. Under the terms of title IX of the Agricultural Act of 1970 the Congress for the first time has by policy statement committed itself to a sound balance between rural and urban America. We intend to explore this and hopefully to effectuate by public policy and private endeavor this balance.

The Congress stated that rural-urban balance is so essential to the peace, prosperity, and welfare of all of our citizens that the highest priority must be given to the revitalization and development of rural areas.

It is the responsibility of this subcommittee to see that the Congress and indeed the entire government honors its commitment.

Presently the rural areas of the Nation receive the lowest possible priority when it comes to handing out Federal dollars. There are numerous examples of this; however, none is better than the fact that the administration has thus far refused to spend $56 million of the $100 million that Congress appropriated for water and sewer needs of rural America although rural America needs over $12 billion according to estimates of our own Government to bring its water and sewer systems up to minimum standards. Rural America today is having difficulty getting $100 million.

It is appropriate that this subcommittee should have as its first witness Orville L. Freeman, former Secretary of Agriculture, who served in that capacity during the Kennedy and Johnson Administrations. When Mr. Freeman was Secretary of Agriculture he spent a great deal of time emphasizing the problems of urban and rural America and the relationship between them; and he worked, I am happy to say, tirelessly to improve farm income.

But Secretary Freeman also understood the problems of all of rural America, and even more importantly the relationship between rural and urban problems.

Mr. Freeman was one of the first men in public life to sound the alarm about the trend of ruinous outmigration which rural areas experienced for decades. And, in our hearing last week we had an excellent statement from the very able Director of the Census which gave us startling information on the population statistics on rural America and what is happening to some of our more rural counties.

Secretary Freeman attempted to create greater public awareness of the crisis toward which this country is headed. Unfortunately, his voice, like others, was not always heeded. For years Government policymakers have had the view that the solution of the farm problem was to get rid of the surplus of farmers. Our national policies have encouraged people to abandon the farms and seek jobs in the cities.

The Watts riots in 1968 and subsequent riots in Detroit, Washington, and other cities have brought many people to their senses or at least to a realization that something is drastically wrong. Suddenly people are going to realize that we cannot continue policies which by their effect force people out of the rural areas of the country and into the over crowded and congested metropolitan areas. We realize that it is disastrous to push people into unfamiliar and sometimes hostile environments of an urban center where they are unable to obtain and hold adequate jobs to maintain adequate income.

Unfortunately it seems that all too often news coverage of the problems of our people is centered primarily upon urban centers rather than upon the broad countryside. But I think it is important for the country to wake up to the facts and, really, that is what we are trying to do here at this stage in our hearings.

According to the urbanologist Jerome Pickard, 182 million people or 60 percent of the Nation's population will be concentrated in just four huge megalopolises—a megaolopolis is a concentration of the metropolitan areas—by the year 2000. That is a staggering fact.

We will have 67 million people in the area extending from Maine to Virginia; 59 million people will live in an area extending from Utica, N.Y., to Green Bay, Wisc. and south to Cincinnati; 42½ million people will live in a city extending from San Francisco Bay to the Mexican border; 13 million people will be concentrated in an area along the Florida peninsula.

For purposes of simplicity, could I say to my colleagues I call this what we have termed in the past a Mediterranean society, where people live along the coastlines and along the Great Lakes while the vast hinterland of the Nation becomes ever more depopulated.

It should be evident that these huge population concentrations of people will multiply the problems we now have in urban areas. If this country does not wake up to the need of a national policy of balanced growth, to the need to disperse people into areas where they can have an acceptable environment—but to make sure that that movement of people is voluntary and not by compulsion—then we will have a national crisis that will make riots of the past look like small picnics.

It is my hope that this subcommittee will be able to awaken people to the need for a rational policy of national growth. I believe that is stage one in our present operations. I believe it is within the competence of this subcommittee to develop, following this awareness and awakening of public opinion, a national growth policy. And, it is only through the development of an effective national growth policy that we can give to the majority of the American people a freedom which they do not now enjoy, a true freedom of residence.

At the present time the average American has little choice as to where he can and will live. Although the Gallup poll in 1968 showed that 56 percent of Americans would prefer to live in what is known as rural areas, we are continuing to lose people from those very same areas; and the reason is those same people who prefer to live there feel that there is not sufficient economic, social, educational opportunity.

Our rural residents continue, therefore, to be forced to abandon the smaller towns and abandon their farms to seek jobs, sometimes no jobs, but hopefully jobs in the cities.

A rational policy of national growth must help create job opportunities in the countryside and I believe the members of this subcommittee have emphasized this as a paramount fact that we must realize.

Such a policy can create adequate services and acceptable living conditions which will make rural life more attractive to industries and individuals alike.

In developing a national growth policy, the subcommittee will hopefully do more than just talk to itself. We will take a number of field trips, trips that will cover every part of the Nation, and we will talk to and listen to State officials, Governors, farmers, businessmen, educators, and such gentlemen as we have that are with us today.

We are honored to have the Governor of Colorado with us who will testify very shortly, and we are looking forward to the Governor of North Dakota who, I suppose, has had some air transportation problem this morning because there is a little hang up over the airport.

So I am pleased to welcome first Secretary Freeman, and without further ado, Mr. Secretary, we will appreciate your comments and if you don't mind, you proceed with your statement and at the end of your statement Senator Curtis and myself and others will hopefully examine you and crossexamine your testimony.

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Mr. Chairman, I won't take very long for an opening statement.

I am glad that we have these distinguished gentlemen here from mid-America, the distinguished former Secretary of Agriculture and two distinguished and outstanding governors of important States.

The Federal Government has a role to play. There are existing programs that can be used to provide supporting facilities for more people in rural areas. It is my opinion, however, that population moves where job opportunities prevail and I believe that one of the greatest contributions that witnesses can make before this committee in the months that lie ahead is to give to us concrete suggestions on how we can attract more industry and job-producing activities in our small towns and small cities in the rural areas.

They have there the resources to make life that is the highest and best and I hope that before this committee closes its record we will have a number of helpful suggestions that will contribute to job opportunities.

This, of course, should not be a substitute for good income for our farmers. We need both.

I am delighted that we have these witnesses here.

Senator HUMPHREY. I just noticed Governor Guy came in from North Dakota. We want to acknowledge his presence. We are very grateful to you, Governor.

Mr. Freeman, if you will proceed.

STATEMENT OF HON. ORVILLE L. FREEMAN, PRESIDENT, BUSINESS INTERNATIONAL, NEW YORK, N.Y.

Mr. FREEMAN. Thank you very much, Mr. Chairman and Senator Curtis, the Governors in attendance here and ladies and gentlemen.

First, Mr. Chairman, I want to express my apologies for delaying the opening of these hearings. We were hung up over New York in a holding pattern for almost an hour and perhaps that testifies to one aspect of the problem we deal with this morning. It becomes almost impossible to move on schedule on the eastern seaboard which you described as a bit of Mediterranean.

For me it is a special privileege to be here to appear before you as chairman of this subcommittee and Senator Curtis and might I just comment, Mr. Chairman, in a sense it is like old times to have in this room two former Assistant Secretaries in the Department of Agriculture, John Duncan and John Baker, who both have contributed, I think, significantly to efforts to meet the problem you so eloquently outlined here this morning.

Having spent so much of my time and energy concerning the matters of rural development and national growth policy while serving as Governor of Minnesota and U.S. Secretary of Agriculture I am truly delighted at the forming of this Rural Development Subcommittee. During those years I was portrayed on occasion in discussing this subject as a sort of King Canute who was holding back the tides of progress and growth when challenging the crowding of more and more people into less and less space in our cities. However, I am very happy to note today that many of our Nation's leaders and individual citizens have not only joined me in these concerns but have become genuine advocates of balanced national growth policy.

The additions of title IX to the 1970 Agricultural Act and title VII to the Housing and Urban Development Act of 1970, plus the establishment of this subcommittee, are all evidence that the Congress intends to meet its leadership responsibilities concerning the future development and growth of our nation.

I have read quite recently, Mr. Chairman, your statement and that of Senator Talmadge at the time this subcommittee came into existence and found them most perceptive and encouraging and the enactment of the legislation to which I made reference has begun a process that I hope will accelerate.

My testimony this morning directs itself specifically to the rural-urban balance question. If time permits I would make some comments that are not in writing in connection with the Revenue Sharing Act and particularly the part that involves the revenue sharing for rural development to which I have given a little thought and in which I have had a little experience.

The last paragraph on page 1 and page 1(a) through the first paragraph on page 2 in a sense restate what the chairman has already so ably put in the record. So in the interest of time, Mr. Chairman, I won't take the time to read that into the record. I am sure the reporter will get it.

(The prepared statement referred to is as follows:)

In 1790, 19 of every 20 Americans lived and worked in rural areas of our country. It was not until 1920 that urban population caught up with rural population.

The shift from rural to urban America began early in our history, but it was not until World War II that the exodus from the countryside assumed dramatic proportions. In the ten years from 1940 to 1950 no less than 11 million Americans moved off the farms.

Since 1950 the rural population has remained at about 55 million people, but the farm segment of that population has continued to shrink and now makes up less than 5% of the total.

For many years the movement from the land to the cities was voluntary. It was also a healthy trend, for the growth of the great urban centers was a key factor in the phenomenal economic development of this nation.

But then the pendulum overswung. The phenomenal technological advances made in agriculture, mining and timbering in the last 30 years sharply reduced the number of people needed in those occupations and in ancillary trades and greatly excellerated the migration from the countryside to the city.

There ever-swelling numbers are smothering the cities' valiant efforts to fight themselves free of the endless problem of too many people for too little space at the same time the exodus is leaving in its wake a decimated rural America . . . a countryside bereft of opportunity and empty of people.

Mr. **Freeman**. I would like to pick up on the second paragraph on page 2.

Senator **Humphrey**. Mr. Freeman, it seems to me you might just for the record read that paragraph, the first paragraph on page 2. I was rather shocked to see it and I think it dramatizes what it talks about because we have some people here, our younger friends and so forth that I would like to have hear that.

Mr. **Freeman**. I would be delighted, Mr. Chairman.

Senator **Humphrey**. Starting on page 2 where you talked about the Columbia, Md.

Mr. **Freeman**. In terms of ability and training the migrants from rural America to the metropolis have been primarily the best equipped and the least equipped. The departure of the best sapped the strength and dulled the promise and potential of rural America. The arrival of the worst compounded the problems of cities already sorely tried by unplanned growth.

Each feeds the other, and if the trend to megalopolis continues for the next 30 years, upwards to 100 million more Americans will be stacked onto the 140 million already living in our cities and suburbs. To look at it another way, if these 100 million Americans were to live in newly created communities, a city the size of Columbia, Md. (10,000) would have to be created every day for the next 30 years.

It is understandable that we are perplexed and frustrated. No nation in history has ever been so productive or so wealthy. Yet the fact that 26 million Americans live in poverty literally stares at us with dulled eyes from the screen of the television documentary. The crisis of environment burdens our conscience. Most of us have seen the sign "Polluted Water—No Swimming" and we have seen the green scum on the lake, the gully washed hillside and the smog over the city.

We are troubled as a nation because it need not have happened this way. We are vaguely aware that we could have shaped our society with consideration for resources, people, and space, demanding quality as well as quantity. Instead, we have rushed pellmell in pursuit of progress, piling more and more people into less and less space on economic grounds that have been made obsolete by modern transportation and communication.

During the 19th century we had a national population settlement policy, a policy of encouraging people to move westward, a policy fortified by the promise of opportunity and land grants. However, the same cannot be said of the 20th century. We not only have lacked any such policy in this century, but have even failed to appreciate its absence.

I might even go so far as to say, Mr. Chairman, that if we had tried to plan the mess that we are in now in our big cities, caused in substantial part by dumping millions of people into them without any kind of preparation, to create as big a mess as possible, I doubt if we could have done a better job, and a good many of the laws and programs that are on the books today quite obviously were going to have that effect and we went blithely on our way ignoring what was happening before our eyes.

I think that has been true of the welfare program; it has been true of the housing program; it has been true of the farm program and we just haven't paid any attention. And now we are in the process of reaping the harvest.

Some people are afraid of planning. Well, let me say to those who express such fears that the very worst planning in the world could not have made our cities and countryside any worse than they are today.

Myriads of decisions are being made and billions of dollars are being expended today with little or no thought being given to the impact they have on the quality of life or the total community, region, or nation. This process of uncoordinated, unplanned, and thoughtless action has been the real basis of our Nation's crisis in housing, energy, crime, transportation, education, health care, welfare, and environment.

I do not believe, as some do, that a continuation of the trend to megalopolis is inevitable. Certainly, a nation that has successfully explored outer space for 10 years and has landed men on the moon can muster the energy and technology to create a life on earth that offers opportunity and something of grace for all—a life of quality. We must learn to accept as a fact that land, as space to live in, is scarce and taking priority over our older concept of land as an extra-active resource, to be farmed or mined.

We made, as a Nation, a clear commitment to reach the moon and we did it. When the crews of Apollo 11 through 14 rode that 10-year, $25-billion commitment through the void of space the earth they saw appeared as a clean, blue-green sphere, tranquil in the serene black sky. There is no reason why the view here on the earth itself cannot be as enchanting. What is required is at least an equally firm commitment—a decision to take our national fingers out of the leaking dikes and go to work with both hands rebuilding them. We must shake off what John W. Gardner has aptly described as our "paralysis of will."

Here, I believe, are the things that we can and must do to reverse what President Nixon, in his state of the union message called the emptying out of the vast areas of rural America of its people and its promise.

First we must recognize that the relationship of people to people and people to living and breathing space is a nationwide challenge. That means our policies must be based on nationwide geography, and not just political geography. We must achieve what I call a rural-urban or people-space balance. We now have and will continue to have space to spare, that is, if we properly plan its use. But we cannot use it properly if in planning space it is constrained by the city limits, the county line or the State border. We need a national growth and settlement policy covering the geographic distribution of economic opportunity, jobs, and people.

That policy must be guided and facilitated at the Federal level and flow to the States, counties, cities, and smaller communities, not as a flood to inundate them but as a stream on which they can float constructive remedies and man their own oars to help reach the national goal.

Until we have an active national policy and with commitment of national resources, the problems of city and countryside will remain insoluble. The interaction between them will continue to compound the problems of each. It is past the time for rhetoric. We must create a national policy with a capacity to coordinate a national effort, designed to use the combined resources of government, business, and 205 million plus people to erase the damaging effects of 50 years of unplanned growth and to create a land where Americans can live at ease with each other and their environment.

It cannot be emphasized too strongly that to do this will take a total national effort with participation at every level of government, the private sector of our economy, the professions, organized labor, and individual men and women and young people everywhere.

So far we have gotten little more than words these past 2 years in this regard from the White House. Although I took some encouragement from President Nixon's state of the Union message to the Congress in 1970 and on a few other occasions since, he has not spelled out any specific program as to how we achieve a balanced national growth pattern in this country. While his revenue sharing proposals may offer some financial relief to State and local government, they fail to make any contribution to the development of a national growth policy.

The addition of title IX to the 1970 Agricultural Act hopefully should help begin to shed some light on what is, and is not happening throughout rural America today. But, more importantly, through the efforts of this subcommittee, attention can now be focused on what specifically must be done not only to curtail further migration from the countryside to our big cities, but to reverse it, and may I add to keep the light of a very interested attention on what the administrative departments of the government do. In many cases it has been my experience that they do not carry forward programs that the Congress has authorized and in some cases has funded. I won't spell out any particular instances but there are repeated examples of where departments, and I would add here other than Agriculture, which have had a very close and intimate relationship to this problem, simply have been overwhelmed by problems in other areas and by pressures in other areas; and in many instances they haven't given the concern or attention nor have they spent the money nor have they put very much thought into this part of the problem.

Rural America has tended to have a sort of a second class in regard to the operation of its programs. The reporting mechanism in the interests of this subcommittee to be sure that the departments of government do this, I think, can have a very, very healthy influence.

To accept this challenge of a nationwide effort by and for a people and their land would be to mount a revolution—not the violent kind but nonetheless one to quicken the spirit and kindle hope equally with that of 1776 and with equally far-reaching effects. We no longer have the luxury of time to continue our reflections on the subject; also, words are not enough. Action is desperately needed and now. Therefore, I wish to recommend that the following steps be taken:

(1) Stimulate town and country governments to improve local community services and to develop their human resources.

Although numerous efforts were launched and great strides made during the last 10 years to assist smaller towns to improve community medical, educational, housing, utilities, and recreation services, much more is desperately needed in this regard to meet our national requirements.

If a community wishes to attract industry and the jobs that accompany it, it must be able to provide an adequate amount and quality of such basic services. This often requires that the community increase its taxes to finance the development or enhancement of such services.

Most of our smaller and medium-sized communities either are unwilling or unable to take such action. Although many have been encouraged to move in this direction, with the help of Federal and State financial assistance, such has been more the exception than the rule.

Some 35,000 rural communities now lack modern central water systems and 44,000 lack adequate waste-disposal systems. There are 43 doctors for every 100,000 residents of isolated rural areas compared to 171 for every 100,000 residents of large metropolitan areas. The same poor record essentially applies with respect to the development of the human resources of these communities. Welfare-assistance programs are usually minimal, educational standards low and few training opportunities exist for upgrading or diversifying job skills. Schools in small towns and rural areas still lag behind those of the larger cities in facilities, curricula, budgets, and teacher pay. This educational gap not only handicaps millions of our young people in learning how to live successfully as human beings but nearly ruins their ability to win the better jobs in a society where skills are at a premium.

It is necessary to develop capacity in every nonmetropolitan area to provide basic education, as well as training and counseling service for all. A number of States have pioneered the concept of community 2-year colleges and training institutes where young people can have greater access to higher education, make up deficiencies, or prepare for jobs requiring special skills. The concept has been proven; the program must now be extended to reach all of town and country U.S.A.

Employees and employers are increasingly becoming more insistent on having a full range of high-quality services available to them in order to satisfy their individual as well as family and corporate needs. A failure to create or maintain such services will make it impossible to achieve any progress toward creating new national settlement patterns. A combined local, State, and Federal effort, in cooperation with the private sector, supplying both financial and technical assistance, will be required to create and maintain such services.

(2) Encourage the development of local leadership within smaller communities and areas having growth potential.

A major deterrent to economic and social progress within many of our smaller and medium-sized communities today is the extreme conservatism of their local officials and community leadership. Progress to many of these individuals is keeping things just as they are. Even when they possess the desire and willingness to encourage community growth, they often lack the understanding and skills required to make it happen.

Special efforts should be undertaken to train and assist local leaders in the skills of community planning and public administration. Some State governments and foundations already have recognized the need and are increasingly supporting leadership training endeavors in one form or another. The North Carolina Institute of Government is one such effort. The Office of Economic Opportunity also has come to realize that many of its community action programs were failing or falling short because local program leaders failed to stimulate and direct the community action that would make the program work. As a result OEO has since funded efforts to teach leaders how to lead.

Also, incentives should be developed to help retain and attract well educated young people to these smaller communities so they can begin preparing to move into the leadership and professional positions in these communities.

(3) Enlist the cooperation of large metropolitan areas to stabilize and reduce their populations.

More and more big city mayors, legislators, and residents are beginning to demonstrate and voice their concerns about the continued growth of their communities. Oregon Gov. Tom McCall was recently quoted in the New York Times as telling people today, "Come and visit us again and again, but heaven's sake, don't come here to live." In Florida, State senate president Jerry Thomas was recently quoted as saying,

> Florida no longer desires to be known as the fastest growing State in the Union. We have our hands full taking care of over 6.8 million permanent residents without encouraging more.

And to quote, if he will give me leave, Gov. John A. Love of Colorado has announced that the State department of commerce and development will no longer promote the Front Range, the area east of the Rockies which includes Denver. Instead, industry will be sought for less developed regions in the State.

The quality of life in our larger cities will continue to deteriorate as long as no effort is initiated to curtail further expansion of their population and industrial growth. It is becoming increasingly apparent that when a city gets too big, diseconomies of scale begin to occur. More and more we see per capita taxes spiraling upward in our larger communities, while the quantity and quality of services continue to decline. And I certainly attest to that as a somewhat reluctant resident of the great City of New York.

Attempts have been made to quantify some of these diseconomies of scale. According to one study, police protection costs $4.60 per capita in cities with 100,000 to 300,000 people, and $18.40 per capita —almost five times as much—in cities of 500,000 to 1 million. In New York City the cost is $39.80 per capita—almost nine times as much as a city of 100,000 to 300,000. Similar costs rises are found for hospital and other services.

When a New Yorker moves to the suburbs he costs the city $21,000 in capital outlay to provide facilities so he can drive to and from work in the city every day. In Washington, D.C., the cost of every added commuter is even higher—$23,000. Contrast that with the $500,000 street department budget for an entire year in Fargo, N.D., a city of 50,000.

I really didn't plan this testimony, Mr. Chairman, to include comments by both governors who happen to be here today. It just happened that way and it perhaps testifies to the fact that they both are exceptionally alert and eloquent.

A recent report issued by the Fairfax County Taxpayers Association revealed that for every 1,000 residents added to the county, the county government records a net deficit of about $800,000 in capital costs.

As Mayor Davis of Kansas City has said:

> A city can get too big simply because the cost of providing services increases all out of proportion to total population growth. This becomes perfectly clear when put on a per capita basis, which is about $120 a year in Kansas City. In a city twice this size, per capita cost would rise to more than $200 a person.

Continued increases in population within our already overcrowded cities, combined with expected increases in per capita income and expected increases in per capita income and expenditures, will result in demands on our Nation's resources an impact on our environment that could be catastrophic in dimension. More people with more money in less space will surely mean less opportunity to improve the quality of life in America. Unless something is done soon to relieve these pressures these cities will become unmanageable as communities and intolerable as places in which to live.

We should pay more attention to what is happening in Europe in this regard. The master plan of London, England, actually calls for fewer people. London's population fell from 8.5 million in 1939 to 8 million in 1961 and is now estimated at 7.8 million. Further reductions are planned, with some planning experts favoring a drop to 6 million by the mid-1980's. The strategic planning committee of the Greater London Council states last year:

> Our task is to create an acceptable environment for our people and allow London to function, and if we cannot do this adequately for 7 million, we have to accept an even smaller population.

Greater London's 400,000 acres are locked by law in a green belt of parks, pastures, and forests. The council plans to keep it that way to avoid American-type urban sprawl.

(4) Take deliberate action to create new economic opportunities within town-and-country America:

Job patterns determine where people live. Although the economic forces that control where employers create those job patterns are undergoing change they still by and large tend to limit the options of industry, favoring the larger cities. Without incentives and leadership from government these patterns will likely continue to be reinforced, resulting in more, not less, concentration of people in our already over-impacted and congested metropolitan centers.

Government is probably less subject to the same economic forces that control industry location decisions and is uniquely suited to initiate an effort immediately to give preference to smaller and medium-sized communities in the location of new installations and facilities.

The same should apply when relocating existing facilities or in the awarding of its procurement contracts. By taking such action government can both demonstrate to industry the merits of such decentralization as well as provide business with some spin-off benefits. Through such action government can make a major contribution to the development of non-metropolitan growth centers consistent with national policy of environmental development.

In fact, every government policy or program should be measured in terms of how it can be administered to help improve and restore the balance between people and living space. The impact of government policies on which people live, and how they live, has seldom been appreciated. But you need only to look at Huntsville, Ala., or the Manned Space Flight Center at Houston, Tex., to understand the power of one government decision to transform communities and lives. Expenditures for the functions of Federal, State and local governments comprise more than 20 percent of our nation's gross national product today. Government—local, State, and Federal—is our biggest business and in its business dealings it should take the lead, be the model to launch an intelligent national population settlement policy and pattern.

New incentives are also needed to encourage industry to locate more of the new plants and facilities in town and country America. New national tax incentives, including liberalized depreciation allowances, environmental impact restrictions and other special location subsides and assistance should be developed and made available to industry to encourage its location in less populated areas of our Nation.

Might I comment here, Mr. Chairman, that perhaps a look at some of the less developed countries in this regard might be enlightening. Brazil, for example, has had a tax incentive program which appears to be working extremely well. There has been the location of hundreds of millions of dollars of new industry from outside the country as well as within, locating in northern Recife part of Brazil and much of it is credited to a tax incentive program. And we might well view some of these examples to see if we might apply some of them here.

The cleaner air, cleaner water, more elbow room and available work force in town-and-country America should comprise powerful added inducements to industry to locate there.

However, we must recognize that some help from government will likely be needed to get industry's cooperation. Also, we must recognize in doing so that haphazard industrialization of these areas would be to repeat the mistakes that we have allowed to happen in our larger cities and suburbs. Caution must be taken in planning efforts in this regard to assure that a proper mix of industries and jobs is created. We do not want to encourage the establishment of one industry or company towns nor do we wish to pirate industries from one part of the country for the benefit of another.

(5) Provide increased levels and new methods of financing public and private investments to support national growth and resettlement policies:

Although implementing an effort of this magnitude will require billions of dollars, we should keep in mind that the purpose in this case is to provide development financing which is to be implemented within a planning context that embraces national, regional, State, and community objectives. As opposed to the manner in which such expenditures are made currently, communities would be able to proceed with their development efforts, based upon priorities and plans, a process which should permit the development of more and higher-quality services at far less cost, both social and economic. To provide the funds necessary for such an undertaking, a special financial system should be developed with the help of the Federal Government.

A special town and country development bank should be created similar to the National Urban Development Bank that already has been suggested which could be financed through funds subscribed from State and local government as well as from private sources. Federal underwriting of the unusual risk elements that will be involved in meeting development challenges would provide such a bank with the borrowing and lending authority to do the job. Eventually, a $10 billion loan fund might be made available. There is nothing entirely new in this public/private approach. The Farm Credit Administration, created over 50 years ago by Federal legislation to help farmers has loans outstanding of over $13 billion and a net worth of about $1.7 billion. It has repaid the Federal capital and now operates without subsidy. The system is now wholly owned by its farmer borrowers.

In addition to the Federal funds that would be provided to start this development bank, funds could also be generated through the sale of bonds, guaranteed by the Federal Government, which would be sold by the bank to private investors. These banks could then: (*a*) guarantee loans made through private lenders for community and district-wide development and improvements; (*b*) fund nonprofit community development corporations whose purpose it would be to improve and establish new community institutions and services; (*c*) fund semipublic housing and recreational development corporations; (*d*) provide loans to industry and businessmen who are willing to establish or relocate businesses in smaller communities; (*e*) provide direct loans to communities for special community facilities and services; and (*f*) provide a full range of technical and planning assistance to those groups or individuals eligible to borrow money from the bank. Such banks, with an assured source of funds, would encourage longrange planning for area development purposes, which is now discouraged because the resources to implement those plans are often not available.

(6) Create a new national and regional planning framework to develop and coordinate planning efforts to assure consistency with national, regional, State, and local objectives.

There are thousands of individual projects, programs, and area planning efforts operating at various political subdivision levels within our country today. However, few of them are related, coordinated or integrated into the development of a comprehensive planning effort. If national growth policies embodying resettlement objectives are to be pursued with any degree of effectiveness, a workable planning framework must be established to help assure that government, industry, and individual decisions affecting those objectives are kept consistent with them.

A national planning policy is necessary if for no other reason than because what happens in one region affects others. The Atmosphere Sciences Research Center tells us, for example, that the last clear air in the United States—noted at Flagstaff, Ariz.—disappeared 6 years ago, the victim of air pollution from the California coast. And there are our rivers, running, as many of them do, through several states, one bisecting almost the entire Nation where local agencies alone cannot control pollution without national guidelines.

Perhaps one way to begin to tie together and implement action of government with that of local people would be a system of regional institutes which in themselves could be located in small- or medium-sized, growth-oriented communities to augment their growth. These institutes could provide research, training of professional planners and public administrators, help develop local leadership and supply technical and consultant services, each tailored especially for the region in which it is located.

They should be funded, initially at least, by the Federal Government because their benefits would cross State lines. However, the States served by each institute should participate in its management, operation, and funding. Through such a consortium new techniques, institutions, and systems might be developed to provide a basis for an eventual higher level of civilization in this country, one which takes into account an individual's concern for the quality of his entire environment, not just one or another part of it. Through such institutes it also might be possible to break the barriers of political boundaries of political boundaries—local, county, and State—that often stifle the orderly development of many communities.

Designation by President Nixon of 10 multi-States regions to expedite delivery of services offered by Federal departments is a move in the right direction. However, what is required is a more specific planning and development system within which Federal, State, multicounty, county, and local governments can interact to achieve the best possible results for all the people.

Therefore, these newly created multi-State-Federal regions might be transformed into regional planning and development commissions similar to the existing New England, Appalachian, Coastal Plains, Upper Great Lakes, Ozark, and Four Corners Commissions which, when tied together with (1) the administration and delivery of Federal and State services; (2) a system of regional institutes; and (3) a town and country development banking system, would form a new basis, or nationwide framework for restructuring existing geographic settlement patterns in the Nation.

One closing point I would refer to our national leaders. There are hundreds of thousands of men and women in rural America who need help now, and they need it as badly as any of the deprived in the cities. Unprepared, untrained, unemployed or underemployed, many hungry, they cannot wait for actions that will help them in a few years or longer. They must have interim help now. This means an all-out effort to provide all Americans in need the basic necessities of food, shelter, and health care. It means giving them access to training that will build their skills, and, most importantly, give them hope, without which no development, community or human, is possible.

It means an investment in humanity, an incredibly small investment in terms of gross national product and in terms of the average annual incomes of the nonpoor. The Council of Economic Advisers, in January 1969, estimated that if the nonpoor would cut their average increases in real income, not income, but merely increases in income, from 3 percent to 2½ percent, with the difference going to the poor, this Nation could quite soon be free of poverty.

Every American has the right to food, to health, to education, and to dignity; the right, as someone put it, to die a timely death unhurried by malnutrition or the lack of health care. There are no barriers to this recreated America today except the single one without which it cannot be achieved: national apathy.

What I have set forth is but a rough outline of the course we must take if we are to restore a people and their land and cease being pawns of our own progress and slaves of our own technology. There are no simple responses to the problems that beset us, but I believe that the purposeful, planned use of the space and the resouces of America for the people, and on a total national basis, holds the basic solution.

We cannot paste new labels on old approaches and call the job done. It will take a serious national effort in the barn-raising spirit of an earlier day. Everyone must participate.

Congress has provided an important beginning and the President some good intentions. However, as I said before, words are not enough; action is what the Nation needs if it is to achieve a higher and better quality of life for its people.

Thank you, Mr. Chairman.

Senator **Humphrey**. Thank you very much, Secretary Freeman, for a very perceptive, and may I say, solution-oriented presentation. We welcome not only your discussion but I am sure that all of us welcome, whether we agree or not with all the matters, your proposed answers.

The latter part of your paper on the regional approach—would you care to just comment a little bit more on it in terms of how this is best formulated? What are the practical measures which need to be taken to get regional planning and development, to get regional consultation?

How would this be done, through a compact or through informal arrangements? Do you have any other practical suggestions about it?

Mr. **Freeman**. I really don't know, Mr. Chairman, very honestly, the best way to proceed. We do have a number of regional groupings as I mentioned in the testimony. We do have States cooperating with each other on an informal basis. We do have programs, particularly in the conservation field, reaching across State lines.

I think there is something to be learned from these ongoing efforts. The thrust of my comment is that they ought to be brought together in logical groupings, and there ought to then be regional plannings in which States fit and then in which local communities fit which are consistent with the particular area and recognize that basic problem solving doesn't lend itself to isolated solutions. And I think there is a variety of ways it can be done and conceivably be done differently in some different parts of the country where the experience and the tradition is somewhat different.

But the main thing, I think, would be a clear enunciation by the Federal Government that there ought to be comprehensive planning. I emphasize the word comprehensive. We have got an awful lot of planning in the country but it is fractionalized here, there and the other place, planning for certain things but not planning in terms of the totality of what is needed within an area.

And, that takes us to one of the big problems that is reflected in the frustration about bureaucracy and the plethora of Federal agencies and programs. Certainly it is true that programs have grown like Topsy and present a complicated and complex picture.

But on the other side of the coin, if the people in local communities knew what they were doing, if they really understood what they came to Washington to get, if they had a plan, if they could preesent a clearcut goal, much of the present confusion would be eliminated.

And so I emphasize very strongly, the need for comprehensive planning, bringing together the various facets of the problem and taking a look, at the total picture and planning accordingly.

If I might express another personal opinion, I have been somewhat disappointed that the multicounty planning provisions of the Housing Act of 1968 have been rather haltingly and slowly implemented. This program with matching funds to get local officials to begin to plan on a multicounty basis is, I think, of critical importance. Unfortunately it has not had the support and backing from the executive branch of the Government and the funds it desires.

I would hope that this committee would look at that very closely. I was pleased to note that one of the requirements of the Agricultural Act of 1970 is reports on the multicounty project. I would give this a very high priority in moving toward the kind of regional planning we are talking about.

Senator HUMPHREY. Your proposal of regional institutes interests me. Are these regional institutes designed on a continuing basis or is this something that is an ad hoc arrangement that you establish for a limited purpose and then dissolve it, or is this regional institute an actual ongoing educational, technical planning mechanism?

Mr. FREEMAN. I would consider it an ongoing, for the foreseeable future, permanent training kind of institute in terms both of planning and then of developing community leadership to which I referred earlier in the testimony, and of which there is a significant shortage around the Nation.

Senator HUMPHREY. Now, we have the legislation passed some years ago that provides for technical assistance. That was primarily—you know, statistical assistance programs, working from Federal Government to the State government. I think that was primarily directed toward business enterprise in a particular State.

Your regional institutes I gather are to be designed or established for the purpose of getting people to think regionally and to plan regionally and to organize their resources regionally.

Mr. FREEMAN. That is correct, and to, as I repeat again, get the kind of training in planning of which there is a very great shortage and also community leadership where there is an equal shortage.

Senator HUMPHREY. One of our problems, Secretary Freeman, as you know, having been in local government and in State government having worked at the Federal level—take our own State of Minnesota. There was some effort made in the legislature to get regional cooperation among counties and it promoted tremendous flak. Local government people are very jealous of their prerogatives and sometimes, without standing in judgment of them, they hesitate to make any changes that are required in light of what cited namely modern transportation and communication technology. And I wish we would get some counsel and advice as to how you overcome this traditionalism.

You mentioned a while ago in your testimony the basic conservatism. It isn't just political conservatism; it is the sense of economic and social conservation where people just refuse to change.

I can think of one little community with which I am rather familiar that absolutely did not want a small plant to come in to provide employment. It preferred not to have it. It is a very small town, 400 people. But a plant that would employ 35 to 40 people, could make the difference between a town surviving and perishing. The trouble was that the local officials and some of the local establishment just didn't want any competition, just didn't want any of the problems. They were afraid that if you got a plant that employed 35 to 40 people that it would change the atmosphere of the community, an atmosphere of atrophy.

I think we have to some way or another, and I am using you as the target here to come to grips with a very human problem that we have, problems of governmental jurisdictions that are no longer related at all to what is going on in the world and what is going on in our country.

Many of these structurees of government, counties, municipalities, have no more relationship to people than the so-called man on the moon. They were designed in another day so that people could be close to the county seat and could drive within 1 day by horse and buggy and be able to see the county sheriff.

Today we have people that are on wheels and interstate and State highways. Our systems of government are sometimes totally unrelated to what the needs are, the economic and the social needs of the people.

How do we get them to change?

I have heard discussions of a need for a new constitutional convention on urban and rural life. This is one of the really tough problems that we have. We haven't gotten into this yet. We haven't been that frank with each other yet but we will have to be as we go down the line.

Mr. FREEMAN. Well, I would comment on that, Mr. Chairman, by saying, first of all, the fact that the subcommittee is holding hearings and going out around the country and is going to present the nature of the problem that hasn't reached people as it should and discuss some alternatives and show what might be improved can be a very powerful influence in changing the orientation and the thinking of some people.

Secondly, for a very practical answer, it depends a great deal on how you do it and whether you have got the kind of trained people that can go into a community, can identify leaders and problems and apprehensions and concerns, and can then skillfully put together a program that doesn't alarm everyone, and get moving before opposition gets rooted in political concrete, with factions and groups, et cetera, in the community when that happens you go nowhere—Someone who is trained and sensitive and able to identify the real local leader is needed. And he usually is not the guy who is doing the most talking but rather somebody sitting in the backroom maybe in overalls who at first glance you would think is not very influential but in fact is the real power.

I think serious mistakes are often made in going about motivating communities simply by the wrong emphasis. I might give a practical example of that.

In 1962 in the farm bill there was a provision that provided for two different ways of trying to do what we have been talking about and I had a little bit to do with actually drafting each of them. One was a rural conservation and development program, R.C. & D., and the other was rural renewal program. Each one was designed to go in and on a multicounty basis to seek to meet total community needs. One was resource oriented and administered by the Soil Conservation Service, R.C. & D. The other was people oriented, administered primarily by the Farm Home Administration, and it was designed to approach area development from the standpoint of the people's needs. But they both were designed to do exactly the same thing.

Now, the laws in the States were difficult and inhibited rural renewal somewhat but the people approach didn't catch on. However the R.C. & D. programs took hold and are still going strong. Rural renewal never amounted to much and has since disappeared.

In terms of a multi-county efforts that succeeded all around the nation, wielding together multiple counties to accomplish a common purpose, R.C. & D. and how they have done it merits some throughful attention.

R.C. & D. had the advantage of an approach that people were comfortable with, is conservation, soil, water, upstream development, etc. Administered by agency which had a strong conservation tradition and a fine record for efficiency working with locally elected supervisors the Soil Conservation Service, R.C. & D. has made great progress.

R.C. & D. went into a multicounty area and defined conservation goals that everybody understood and supported. It was clear that more than one county must be included to have a sensible conservation program. But once they got started planning for soil and water conservation on a multicounty basis, they soon started looking at schools, they started looking at agriculture, they started looking at housing. They then quickly recognized that all the problems were inter related and solutions required total area development. From that recognition came plans for multicounty comprehensive training program and finally a comprehensive multicounty plan.

There is a lot of idle talk about local government contending that the closer the government is to the people the better it is. That isn't necessarily true. Some of the worst examples of corruption and unnecessary waste and inertia can be found in local government very, very close to the people. As you just expressed Mr. Chairman, lassitude unwillingness to lead and extreme conservatism often dominate local communities. That is not to say that the ideal of having leadership close to the people and programs controlled close to the revenue source isn't a sound goal. But it doesn't work automatically that way.

The key, I think, and that is why I emphasize the institutes, is leadership, leadership that is perceptive, knowledgeable, experienced, intuitive, recognizing that you can lead a horse to water but can't make him drink.

You can stumble around and not move anything for 20 years. What is needed is a man with training, who knows what he is doing, who keeps his mouth shut, and finds out who gets things done. It comes down to a practical nuts and bolts approach. Some communities will never move. In our State of Minnesota, Mr. Chairman, there are communities that in terms of topography, history and resource are almost identical. Some of these communities have gone ahead to develop a diversity of industry, and commerce and agriculture and public services. They are prosperous; they become excellent communities.

Then you can go 50 miles down the road and find a similar community that stayed at 2,500 people instead of going to 100,000. No reason for it except that in one case the community had leadership that was effective, in the other no one painted the way.

So I rest very heavily on the need for alert, trained and active local leadership.

Senator **Humphrey**. We will come back hopefully to you again, Secretary Freeman.

Senator Curtis?

Senator **Curtis**. Mr. Freeman, you have stressed a great deal about planning, planning on a national scale. I can understand the possibilities of that in reference to location of government offices and fuctions and also the roles of government in reference to providing the supporting facilities.

But my question is this: How do you propose, by that planning or the adoption of a national policy to cause industry to locate or not locate in a particular spot?

Mr. **Freeman**. Well, to answer the latter part of your question first, Senator Curtis, if I may, some of the proposals in connection with tax incentives and the development of services and good communities to live in provide an immediate answer.

So far as the big picture is concerned some years ago I suggested that we ought to engage under the leadership of the President in a total national planning exercise. It could involve the entire Nation, not only government, but also the various service organizations, business and industrial organizations, and labor organizations. The President might set a 2 to 3 year target date and call on everyone to lift their sights and dream a bit about the kind of country we would like to have and how we could make it that way. A planning structure by region, maybe by States—giving an opportunity for grass roots inputs at hearings could be scheduled and handled locally and regionally with various groups participating.

There are a lot of ways it could be done. Then people all over the country would begin to think in terms of this Nation as a whole and what we ought to be doing to make better use of its resources, its space, and its potential. Out of such a process a widely supported plan for the future could grow.

That is what I would do if I were President of the United States.

Senator CURTIS. Well, now, when all that is said and done, what is your plan going to include for getting a particular plant or any kind of job-producing activity to locate in a specific locality where they need more job opportunities and a greater base upon which they can carry on their community facilities?

Mr. FREEMAN. Well, let me give another illustration which maybe answers your question a little bit indirectly.

I would guess if such a real national planning effort were made it might call for the establishment through the length of Appalachia of 12 new towns of at least 100,000 people to be constructed within the next 5 years. If we decided to do that we would have to provide mass transportation and communications and a host of other services and put them all together deciding where are we going transportation-wise, communications-wise, resources-wise for the whole Nation.

We have got to take a broad look at where we are moving and then we have got to make plans that look 20 years down the road.

Senator CURTIS. Well, now, how would those people make a living?

Mr. FREEMAN. They would make a living because the inducements for industry and Government and services to locate would be a direct product of the development of those communities. This is exactly what is taking place now in Columbia, Md., where a new town is being scratched out of farm land. There are all kinds of businesses and industries moving in.

Senator CURTIS. Well, there are service industries there.

Mr. FREEMAN. No; there are manufacturing plants, too.

Senator CURTIS. Has there been a survey—where do those people work?

Mr. FREEMAN. Where do those people work?

Senator CURTIS. Yes; in Columbia, Md.?

Mr. FREEMAN. You mean before or now?

Senator CURTIS. Now.

Mr. FREEMAN. They work both outside and inside, one-half of them—it is my latest information—are employed in Columbia and live in Columbia. Half live outside Columbia, and another half come from outside and work inside. It is but one illustration of what a new town can do.

You create the environment; industry comes to that environment.

Senator CURTIS. You mentioned that this imbalance is caused in part by past practice in welfare, housing programs, and agricultural programs.

Would you elaborate on that a little bit and give some illustrations?

Mr. FREEMAN. Yes. Let me start with the last. We have never had a small farm program or a farm settlement program or a program for displaced small farmers since some very modest efforts of the old Farm Security Administration just before World War II, I have recommended to the Congress again and again and again programs to do something about displaced farmers, to do something to train them, to do something to look after them, to do something that would keep them in the rural communities they didn't want to leave; but we have not had any kind of effective program in this country to assist the little displaced farmers left behind by technology.

At the same time we created programs that sucked them into big cities like a vacuum. The housing program, the welfare program, and the hope of something when they had nothing.

I mean exactly what I said. If we had literally sat down and planned how to dump 20 million—well, X millions of unprepared people, primarily black, into metropolitan areas to create a first-class mess for ourselves we couldn't have done a better job.

Senator CURTIS. Well, of course, a provision to take care of displaced farmers is not preventing of a problem; it is taking care of a problem after it arises, isn't it?

Mr. FREEMAN. Surely, but we saw it arising and in part our farm program created it as it supported the commercial farmer. May I say here quite clearly, and I spent 8 years or more trying to make this point and failed—that people customarily equate a commercial farm program and a small farm welfare program. Actually they are two very different things.

We have a commercial farm program. I think it has worked very well. It has helped agriculture, the commercial farmer, significantly; it has helped our farmers grow more efficient and has made it possible for fewer farmers to produce more and for people to move into other kinds of employment. That has enhanced the national well-being.

But we haven't had a program for the subsistence farmers that were not able to move from the farm to the city and get jobs. The need for a program for subsistence farmers is mixed into the evaluation of the commercial farm program. That is like comparing apples and oranges. A commercial farm program and a program for small subsistence farmers are two different animals.

But we say this coming. Everybody has seen it for the last 15 years.

It didn't take very much wisdom to see that a cottonpicker and the use of chemicals on weed control was going to displace millions of farm workers in the South. I have been on cotton plantations where within 2 years the number of tenant farmers has dropped from 100 to 6.

Now, where were those people going to? The problem stands out like a sore thumb. But we did nothing about it. And now we are in trouble.

Senator CURTIS. On page 7 you say that schools in small towns and rural areas still lagging behind those of our larger cities in facilities, curricula, budgets, and teacher pay.

I am not too sure that that is correct. I think if you would go to the rural towns in the Great Plains States where we have lost most of the population, you would find the opportunity for a youngster to have a first-class education is far better than in any one of the 20 major urban centers in the country. I believe the opportunity to have the school operate the year round, to be unmolested in the school building and without, and the quality of their instruction and the concern of their teachers is far greater and much better in the rural areas than in the cities.

It gets back to my premise that population goes where there is an opportunity to make a living. I think that our major emphasis should be on what can we do to get actual concrete results in getting more job-producing activities in these communities.

Mr. **Freeman**. Well, I certainly agree that that is a very vital part of such a program and in the short range I would certainly give it very top priority as the Senator has very wisely commented.

Senator **Curtis**. How about the long range?

Mr. **Freeman**. In the long——

Senator **Curtis**. Isn't today the Federal Government creating frustration on the part of many young people in that some of our temporary programs set up over the last 8 or 10 years are training people for jobs that do not exist?

Mr. **Freeman**. I am sure there is some of that and the reason if it is true in my judgment would be that we don't know where we are going and we don't know what jobs we will need 10 years from now. We have never taken a hard look at it, never done any planning to mark out where we are going. Instead we are going faster and faster but we aren't sure where.

Senator **Curtis**. I won't take any more time. Thank you.

Senator **Humphrey**. Senator Miller, we are happy to see you here. We are going to Iowa on our next visit.

Senator **Miller**. Thank you, Mr. Chairman. It is good to see you, Mr. Secretary.

Mr. **Freeman**. Thank you, Senator.

Senator **Miller**. I appreciate your statement because I agree with much of it, although I don't agree with all of it. It is a very comprehensive statement and as Senator Humphrey said, it is solution-oriented which is what we are looking for.

Take, for example, your point No. 4, to take deliberate action to create new economic opportunities in town and country America.

Much of what you recommend there, I might say, was contained in a bill I introduced back in 1966 which unfortunately was not acted on.

There is currently before the Government Operations Committee of the Senate a bill by Senator McClellan and several others, including myself, which I believe would pretty well carry out what you have to say regarding a national policy and the Federal Government's activities; I hope that we can get that bill acted on favorably.

Now, this matter of tax incentives is something that is an old timer around here. There have been bills introduced every 2 years since I have been in the Senate. I have been a sponsor of a number of them, and I don't know just how we are going to handle the problem.

It is easy to talk about tax incentives but when you get down to the nitty-gritty you have to contend with this matter of pirating industries out of the metropolitan areas.

I think we can decide something so that the tax angle would not be there if a company moved out to the detriment of the people in the area and located someplace else. If they wanted to expand their operations and expand into a rural area, then there should be no complaint about it. But the tax angle is an important consideration, certainly to the extent that it would help them finance the cost of getting started.

Now, some people will argue against that and they will say you are forcing economics. But I think we have got to do something to force economics, if you want to use that term, because economics is going to force us to do something. It already is.

Now, the one-industry or company towns, of course, can cause a problem but it is a lot better to have one industry than none, and a start should be made in many of them. We may not have as much choice in this as we would like. If we can get one good industry into a town, that may mean the difference between the future viability of that town and none at all. Although I would agree with you that we ought to try to avoid having total dependence on a single industry, I don't think that we should deny that opportunity if there is no other thing available.

This special Town and Country Development Bank idea, I think, has made its appearance under the name of the Rural Development Bank more recently. There is a lot to be said for it. Your experience with the Farm Credit Administration has given you the opportunity to draw a parallel between Farm Credit Administration operations and what is envisioned here and it makes a lot of sense.

I think what Senator Curtis has had to say about jobs is on target. You have given us a very broad-gauged set of solutions here but if we are going to put on any priorities, I think we had better put them on jobs.

Take, for example, Forest City, Iowa. We have a couple of industries there and there are no people looking for work in that area. In fact, we are bringing them in from southern Minnesota to work there. So jobs make the difference and how we go about getting industry to locate in these areas to provide these job opportunities, I think, is, our No. 1 priority.

Now, you have said a lot in connection with the Appalachian program and the desirability of building a base which will encourage industry to locate there. I was following along in your statement here and I got down through point No. 6 and I was looking for point No. 7 which would indicate an enforcement of rural revenue sharing, but I didn't find it, and I was wondering if you would care to comment on that?

Now, let me say this: I am a sponsor of that legislation and I recognize its limitations. There is much more that needs to be done than just rural development revenue sharing, but I think as far as it goes, it merits support.

I don't claim that it is a perfect bill by any means. I would like to see action taken on it. I am not saying that we should not amend it but do you have any thoughts on it?

Mr. **Freeman**. Well, first may I say that I am really pleased and will follow personally very carefully the hearings this committee plans for this purpose. I noted the chairman of this subcommittee spoke to this question recently and stated that he had some reservations but wanted to have very thorough, careful and fair hearings. I am sure that will be done. For my part I have mixed emotions about rural development revenue sharing. I have some very real concerns.

In the first place, it mixes up three things and that it always kind of confusing. It mixes up financial help for local governments, basic structural organizational government reform; and then, third, a kind of philosophy of stateism versus centralization, et cetera.

Exactly what should be done I really don't know but I would want to say for the record that we ought to proceed cautiously: (a) There is no guarantee that local government is going to be good government.

I think locally elected officials particularly a Governor is going to be subject to very real pressure for and against each of these programs. It is going to be difficult for him to carry forward as enlightened a program as he might, without some help and guidelines from outside.

There are some programs involved here that I know a little bit about that are going into the pot. By and large they are very good programs. They are very well administered programs. I mentioned resources conservation development already. Then there is the Great Plains conservation program, and the old ACP program, now called rural environment assistance.

Extension, of course, in defiance to political pressure, well applied, has gotten special guarantees. There is no reason why extension should be given special consideration any more than the other programs that are left to local discretion. Why not be consistent and guarantee the continuance of all of them.

Senator **Miller.** May I interrupt you at that point?

Mr. **Freeman.** Sure.

Senator **Miller.** As I understand it, the reason for singling out the Extension Service is because of the relationship to the land-grant colleges. There are some very delicate constitutional and legal points there which we don't want to upset. It is my understanding that that was the rationale behind it.

I might say that I was one of several who wanted to have that point cleared up and speaking from my own standpoint, I think that is the reason that was singled out.

Mr. **Freeman.** I didn't know, Senator, that you had been actively involved in this. I was making a passing comment, really, the point I was making was that there are excellent programs being thrown into the pot in 50 different States with 50 different Governors and 50 different sets of political problems, with absolutely no kind of guidelines or assurance of continuity. As a matter of fact, there is a requirement that there should be a State plan but then the bill says all the Governor has to do is just file it with the Secretary of Agriculture. He can't have a thing to say to you about it. It could lead you into purgatory and all the Secretary of Agriculture could do is smile.

Now, this I suggest ought to be examined carefully. I have all the respect in the world for Governors. I have been one. But the fact that they have been elected doesn't make them effective in what we are talking about here. As I say, we are throwing some good programs into the Governors pot without guidelines of any kind.

On the other hand, there is a problem of complexity in the Federal Government, programs do overlap, and the desirability of getting Government as close to people as possible is real. It is true that you get rigid little packages of programs and they all have their constituencies. It is terribly difficult to change them and sometimes the only way you can change them, political forces being what they are, is to put them in a bag and shake them up. If you try to do it piece by piece you never get it done.

So I say quite honestly I have some difficult feelings on this. But I would like to make a special point. It is very popular today to talk about the Federal Government being a monstrosity and that programs are burdensome and bureaucratically administered and ought to be changed. When I was Governor of Minnesota and made a study of the Federal programs I found some of them on a grant-in-aid basis working extremely well and I found some others that were a shambles. Maybe that is the way to reform. Those that are working well and effectively ought to be left alone, and others corrected.

Also one of the reasons why they look so bad is because there are people that come to Washington asking for help who really don't know what they want and need. That is because there is often little leadership, and less planning in local government. When they come to Washington with say, a sewer and water project, the first place they go to is a Senator's office after they have been over to see someone in the department and they haven't immediately gotten action because the program doesn't meet standards or perhaps fit into a larger, more economical plan.

Now when the Senator goes along with it, then the department has a tendency not to say no. Instead the department bureaucrat begins to kind of straddle a little bit, and say, "yes, we will work at it, maybe change a little bit here; maybe we can combine it with another one over here, etc."

This is what drags program applications on for years. It isn't always that the Federal administrators don't know what they are doing but they are trying to slide because they have got political force on them from outside.

Now, if local people know what they want and if the program makes some sense, and that usually means there has been some planning and it is a part of a sensible package, then they go scooting through like greased lightning. But, more than half the applications get caught up in stalling tactics because the people that came in really didn't know what they wanted, it wasn't a part of a good program and the bureaucrats won't say "no" because of pressure.

One other thing, if you want to get revenue, the States ought to be looking at a tax credit. I proposed that at a Governors conference in 1958.

If you want to go on the principle that the most people do, that you must have revenue and should keep the tax source close to the people, rather than collect it in Washington and then ship it back to the States in a brown bag, give the State taxpayer a credit for his Federal income tax. That would mean a lot more tax revenue and almost overnight give the States more resources for needed programs.

Senator MILLER. You have articulated some of the concern that has been expressed and I myself have with respect to any revenue-sharing approach, and I appreciate that.

Let me say that as far as tax credit is concerned, that as you know has been thought about and talked about for a long time. I think the fundamental defect in it is that under it, the rich States would get richer and the poor States would get poorer and I am afraid that is an insuperable obstacle to a tax credit approach. I don't believe the majority of the members of Congress would opt for that kind of results at all though I might say there is much merit to be said for it; I think we have to think in terms of the national picture, and if we do, I just don't think we can support it.

Let me ask one more question.

In connection with this Town and Country Development Bank approach, I think one of the great things about that concept is that instead of having bureaucracy back here in Washington dictate to the whole country, you have the people in the local areas making some of these decisions. That appeals to me and there may be some guidance that could be written into the bill. The results of the Farm Credit Administration show that people at the local level with their own elected officials and their own bank board members have done a pretty good job. I would like to see this local effort emphasized much more than it has been.

Possibly one of the troubles we have had has been that we have had a little bit too much dictation from Washington and not enough local control because there hasn't been the money resources to back up the local control.

Anyhow, Mr. Secretary, it is always good to see you and I appreciate your testimony very much.

Mr. **Freeman**. Thank you.

Senator **Humphrey**. Thank you, Secretary Freeman, and I thank my colleagues for their interrogation. We never complete these things as we want to. This is the first round.

We are indebted to you for frankness and candor and proposals because that is what we are really looking for, Secretary Freeman.

We are trying to do the things you mentioned. No. 1, alert the public to what is happening without assessing blame particularly because everybody has had his hand in it.

Second, to get some solutions, and solutions have to be advanced. Some of them may not be practical; some of them may not be salable; some of them may not be usable, but we surely can't just go around moaning and wringing our hands.

We thank you very much and we are looking forward to seeing you again.

Governor Love, we welcome you from the great and beautiful State of Colorado.

STATEMENT OF HON. JOHN A. LOVE, GOVERNOR, STATE OF COLORADO, DENVER, COLO.

Governor **Love**. Thank you very much.

Senator **Humphrey**. We are very grateful to you for taking the time to come here. I might say to my colleagues that the Governor made a considerable adjustment in his schedule to come here. I called him and he agreed immediately to do it. Thank you.

Governor **Love**. Thank you.

Senator **Curtis**. Mr. Chairman, may I just welcome Nebraska's neighbor here. We are delighted to have you. We always wish well for the Coloradans, all except 1 day of the year, but all the——

Governor **Love**. They haven't been too kind lately.

Senator **Humphrey**. Even though this time the Senator from Nebraska has become a football buff——

Governor **Love**. Do you have any speculation as to where they may be?

Senator **Humphrey**. Well, there are some rumors to the effect that the big red did pretty well. I remember the days as the Minnesotan when I, too, was beating on my chest and I just wanted to tell the Senator from Nebraska, he, too, shall have dark days and days of despair.

Governor **Love**. There are ups and downs.

Senator **Humphrey**. And even the Senator from Iowa has had some dark days.

Governor **Love**. May I assure you that Colorado will do all we can do to make sure that you are a good prophet.

Senator **Humphrey**. I am sure you will work overtime.

Go right ahead, Governor.

Senator **Miller**. Now, wait a minute. I just want to even this thing up just a little bit. We have had our share of dark days, especially over in Gopher Stadium, but you have also had your dark days in Iowa City.

Senator **Humphrey**. Don't remind me of dark days. We had a man from Minnesota come down here and buy a ball club and then humiliate his home state. It was outrageous.

Go ahead. This is not a sports symposium. Go ahead.

Governor **Love**. Thank you, Mr. Chairman and members of the subcommittee. My testimony, if not repetitive, will at least be cumulative to a certain extent and I certainly agree with many if not most of the things that have been said in your preliminary statement and also in the testimony of Secretary Freeman. I am pleased, very pleased, to have this opportunity to offer you my thoughts in an area of great concern, both in Colorado and nationally.

I know that each of you is cognizant of the problems attendant upon further concentration in urban and suburban areas of our Nation's population, both from your statement today and many public statements I have read in this regard. However, I am not persuaded, and evidently neither are you, that any sizable percentage of our population is equally knowledgeable, and I believe that these problems and potential solutions to them, comprise one of the most important areas for concerted effort with which we can deal at this time in our history.

I will not attempt to quote the rate of urbanization which has occurred in the past, and which still continues, for these statistics are already a part of your record. Only briefly will I mention that we all recognize the magnitude of our problem in our cities and in our great metropolitan areas and the need for attention, at all levels of government, that these problems demand. However, simply to concentrate on the New York City type of problem without attempting to do something about the continual movement from rural and small-town America to the cities seems to me to be dealing with the symptoms, as difficult and painful as they may be, without getting anywhere near the root of the problem.

Obviously, we are going to continue to have large cities in the United States, and equally obviously, large cities will continue to have problems. But the problems we have now will only magnify unless we do devise ways by which growth can be planned and productively channeled.

To do otherwise, to simply accept the common forecast that a greater and greater percentage of our population will be concentrated on a smaller and smaller percentage of our land, is simply to give up.

I believe that it is not too extreme to say that New York City, for example, has almost come to the point where it is no longer viable as a social organization; if it is not in truth ungovernable, at the very least, it is most difficult to govern. The traditional American epic that bigger is better seems to have run its course. It is increasingly apparent that tremendous concentrations of people create economic problems, social problems, psychological problems and perhaps even biological problems.

It seems clear to me that the States and the Federal Government need to devise policies of population dispersal which will give to those who presently live, and those who would like to live, in rural and small-town America the chance to do so.

The thought that the Government should undertake the responsibility of distributing population may, at first glance, seem radical, but I recall, as do you, too, I notice, that such policies are not new to this Nation. And, of course, the expansion of the Homestead Act comes to mind and it is very obvious they did move more people than even the very dramatic great movement occasioned, I think, in my State by the gold rush.

In discussing the problem, I would like to tell you something of the State of Colorado, not only because it is the area of which I am most knowledgeable, but also to suggest to you that it can, in a general way, serve both as a model and a microcosm of the Nation and its problems in this area of mutual deep concern.

Just as in the Nation as a whole, population growth has not been the problem—Colorado grew some 25 percent in population in the last decade—it is in the distribution of that population and of that growth, where problems lie. The relatively few counties along the eastern face of the Rocky Mountains which bisect the State of Colorado contain about 1,750,000 residents. The balance of the population of Colorado, less than one-half million people, inhabit all the rest of the State, a State of some 104,000 square miles, or to put it a different way, the geographic western half of the State, the beautiful western slope, contains only 10 percent of our population.

We continue to grow, but unfortunately, the major part of the growth continues to add simply to the urban and suburban areas. Many of our counties reflected declining populations in the last census period. We have only recently realized the full depth of this problem in Colorado and devoted our attention to it. Just a few years ago growth and industrial development were almost as sacred as motherhood and certainly were a sound plank in any political platform. As a matter of fact, I ran on such a plank myself.

But fairly recently, a growing number of Colorado citizens have been saying, "Stop, that's enough," recognizing that growth simply for growth's sake is not an appropriate goal. They have been recognizing that growth, particularly in the urban areas, brings with it increased costs, increased problems, and increased frustrations.

I remember very well some years ago leading a group of Colorado businessmen on a mission to entice industry. We happened to meet in Philadelphia at that time. As our group left the airport in two buses, to move to our downtown hotel, we were caught in a traffic jam and one after the other of our group started to look around at the numbers of vehicles, the evidence of some pollution and the other problems and said to each other, "What in the world are we doing—is this what we want to transplant to Colorado?"

So, in Colorado, we have devised at least two approaches to the problem. We recognize that neither of them will be cure-alls, and further we realize that in order to make them fully productive it will be necessary to bring Federal programs into appropriate focus.

First, in looking at the growth along the Front Range of the Rockies, it has become very apparent to most of us that if we do not act quickly we could well end up with a great urban sprawl which would stretch roughly from Fort Collins on the north, through Denver and Colorado Springs, to Pueblo on the south—a new Los Angeles. We have also looked at poorly planned bulldozer subdivisions along our foothills and mountains and the damage that can be done to a beautiful mountain valley by poorly planned ski or other recreational resort developments.

As a result, I have suggested, and the legislature has enacted a program of statewide land planning. The program realizes to the fullest extent both local activities and responsibilities, but at the same time recognizes also that the State has a stake in growth and development which must on occasion transcend some local viewpoints. Long-range, innovative planning techniques are the core of this program. Through its implementation we hope to preserve the open spaces and develop the green-belt and cluster-city concepts which, together with a planning base to meet need as it arisses, can effectively channel the growth which is sure to come, and at the same time preserve the grandeur which is Colorado.

Second, we have given up industrial development programs which simply seek to bring economic activities to the State in general, and have zeroed in on our attempt to help those less populated parts of the State which badly need economic activity and job opportunities.

I have taken a tour with businessmen from our western slope to other sections of the Nation, telling some potential prospects about a part of the country that still has time enough and room enough to live. The first part of May, very soon, I will be taking a similar trip with some of our southern Colorado businessmen.

This program to help underdeveloped areas needs great assistance if it is to succeed. For you know and I know that given their choice under the present circumstances, most businessmen are going to choose to put their new or expanded plants in areas in which there are readily available services, a labor market, good air transportation, and all of the other factors they seek. We have had many other programs which are designed to help rural and smalltown Colorado. some of them the product of Federal grants in aid and some not.

To explain my viewpoint of these programs, I would like to tell you about the San Luis Valley in Colorado. It is a beautiful, broad, relatively high valley, dependent almost solely upon agriculture and peopled in large percentage by Hispanos. As a matter of fact, the valley encompasses the first settlement in Colorado, which was Spanish and considerably predated the settlement there by the rest of us.

We have had programs in that valley for manpower training and vocational education; and the programs themselves are good, I think, most of them. But the net result of them is that when someone is trained the only thing he or she can do is leave the valley to find a job. The economy of the valley is predominantly agricultural, and fragile in the extreme; we must take care that remedies applied meet actual, rather than theoretical, need. A raise in the minimum wage, for instance, might well result in substantial unemployment in the valley, as the marginal employer must contract his work force as the result of his simple inability to meet a mandated increase.

We have also had programs to improve water quality and sewage treatment, health care and school systems, and the people of the valley have benefited thereby. But these programs, together and separately, do nothing at all to reverse the outflow of people from the progressive mechanization of agriculture, and the often false lure of the city in a city-oriented society.

What we need in the valley and in areas in the Nation like it, is heightened job opportunities, the kind of opportunities that will allow the graduates, both from the local schools and the college we have built in the San Luis Valley, to remain there and to help to build the valley to the level of achievement it can have.

I know that job opportunities alone will not necessarily solve all of our agricultural problems, for it still remains true that the producer of food and fiber must have a fair share of the national income.

But job opportunities which would provide healthy, growing communities would do much to alleviate some of the most pressing problems in the farm areas and, of course, such opportunities would, in addition, be the strong undergirding necessary to provide for population dispersal, for balanced growth, and for a healthy and greater America.

There is no need for me to tell this committee that we must look at, but also beyond, the present and projected programs by which water supplies, sewage treatment, schools, and other vital services are brought to the rural community. For beyond human need is human aspiration; we look to you and to your colleagues to devise the methods by which those investments in human resources are made which will attract the investor and the industrialist to rural America as his place of residence and business.

I know that this problem which is at once of the first urgency and great complexity will receive your full attention, its ramifications explored and incentive provided.

Thank you, gentlemen, both for the opportunity to appear before you and for the evident concern demonstrated.

Let me conclude by leaving my prepared text to say it seems obvious to me that the location of job opportunities is at the heart. That is said not to downgrade the other programs which look toward the health and the services that need to be brought to rural and small-town America, but certainly if we are to solve both the health of the communities we are talking about and the health of the Nation on a population dispersal basis, there must be that kind of job opportunity.

Now, as to how to achieve it, I was interested in and agreed with many if not most of the points made by Secretary Freeman. I couldn't help but think that I believe it to be true that in Great Britain, for example, they have gone to the extreme of requiring a license before you could locate a plant.

Now, I would not, nor would I think it would be good for the Nation, support any such program in the United States because we are still devoted to and oriented toward freedom of choice and expression and I think that would vitiate it. I do, however, feel very strongly that strong incentives must be given and I can't help but turn to the tax incentive as the lever, the handle. That task must be done, I think, at the Federal level since the tax advantage programs that various States have given to industries—seeking to buy industries in this kind of situation—have been destructive, in many instances.

I think that help has to be at the Federal level and if I might suggest, I would be less worried, Senator, about the economic philosophy that some have expressed concern about than I would perhaps the practical politics because if the incentives are to work, it would inevitably mean at least the slowing of growth in some of the States.

The Senate is still immune from the one-man, one-vote situation but across the whole program politically if you are going to say we are going to make an extreme specific, we are going to dismantle some of the economic health of New York City and move it to Colorado, I suppose that you would find politically a good deal of opposition.

But it seems to me that in the tax incentive area, that is the area that we must move if we are to provide the kind of incentive.

And then I cannot conclude without at least making some brief and perhaps mild response to some of the ideas that were advanced by Secretary Freeman about the relative leadership at the local, State, and Federal levels. I don't intend to argue with it at length, but suffice to say that with the probable exception of you three gentlemen I don't think that the people at the Federal level can claim a perfect record in this regard.

Second, I do feel that there are outstanding leaders at the local and State level and I am sure Secretary Freeman would agree with me there. But more importantly, I want to say this: That it seems to me that the concentration of governmental power that undoubtedly has occurred, particularly in the last 30-some years, devised to meet many of the real problems in this Nation, nevertheless have had one-side effect that I think is unfortunate. With the size of the Federal establishment and its location geographically away from many of the people, there is a feeling on the part of more and more people, which is one of the causes of the present frustration, that they cannot effect or participate in government this large and far removed, and I would suggest to you that even if some mistakes are made at the State and local level, that this is not necessarily bad; that is, the people themselves are participating and know they are participating. Even if they make mistakes I would suggest that they won't make any more mistakes than are apt to be made at this level.

Senator HUMPHREY. Governor, we do want to thank you. Your final comment just reminded me that one of the rights of the free citizen is the right to be wrong, too, you know.

Governor LOVE. That is right.

Senator HUMPHREY. And to make a mistake. Without getting into the argument as to the respective merits of local and Federal leadership, I do believe that there is great talent, ready and available, at the local levels but when they don't have the resources, it doesn't do much good to have the talents. That is the problem. And we have designed a strong central government as the people moved to the city, and as our country became more economically integraded, the power of the central government grew and grew and we never took a look at the other side as to what was happening at the local level.

I really believe, that this subcomittee, with the guidance and help of some of you men who are out there on the firing line, and that is what a Governor is—the Governor and mayor particularly are really right out there where the problems are every day. You have got to face the people every day. We face people here, too, but we are more removed. Even though we hear from our constituents—and I hear from mine a good deal and all of us make very special efforts to get back to them if only for the reason to stay in contact with them. I don't feel I am removed from the people of Minnesota, but you have to govern. A Governor has to govern and a mayor has to govern and a County Commission has to govern, and some way, somehow, we have to find ways and means of giving you the tools and the resources to do that job, at least help you to do that job.

I am not one of the partisans that is adamantly opposed to revenue sharing, as you know.

Governor LOVE. I am delighted to hear that, and I know that to be true.

Senator HUMPHREY. I served in local government and it is no fun if you don't have the means to take care of the problems.

The map that you gave us was very intriguing. What you are really trying to work at is achievement of some stability in your population and also some movement of people into your less developed areas, isn't it?

Governor LOVE. That is true. This is exactly what we would like to have. As I said, 10 percent live to the western side of the Continental Divide. They want, they need, the kind of economic activity which would allow them to have a chance to keep some of their young people in that area.

Senator HUMPHREY. Senator Curtis, although we will instruct our staff to do it, I think we as senators need to know a good deal more about what is being done in other countries that are faced with population problems much more serious than our own.

The Scandanavian countries, for example. You take a little country like Norway that only has one-seventh usable land area, in terms of productivity, through its banking structure, and its governmental policies, tried to encourage industry to disperse and to encourage job opportunities throughout the entire country. That is the very point you are making.

I was in Japan a year ago and I was interested in what was happening in Japanese economic development. I mentioned this once before in one of our hearings. In Japan, the Central Bank, and the country's banking structure—which works in much closer collaboration with government than our Federal Reserve System does—make it very difficult for anybody to establish a new industry in Tokyo and make it very convenient to establish industries in the northern part of Japan or in the other areas that are not heavily populated. They are insisting, in other words, on a national growth policy.

You go to a little country like Israel where every bit of land has to be used and you find there a very significant and highly developed national growth policy.

Now, I don't know whether that is the best phrase or not—national growth policy—but I think what we are really talking about and what Senator Curtis and others have attempted to emphasize is that farm producers get a fair price. We can't expect farm producers to subsidize the rest of the country and a lot of our city folks don't seem to realize that is what is going on.

But setting that aside for the moment, because the Committee on Agriculture has given most of its attention to that aspect of the rural problem over the years, the other problem is just what you are talking about, and what Senator Curtis has mentioned time after time, and that is jobs, and here again we have the old problem of which come first, the chicken or the egg.

How do you get jobs? Do you develop the country's facilities, the towns and so forth (illeg.) (illeg.) hope that the industries will come, or do you try to develop both the counties and attract industries simultaneously?

Governor **Love**. I think you have to do it both at the same time. Certainly there have to be facilities there to start with. There has to be clean water, there have to be health services, there have to be all of the things that exist to one degree or another in our small towns. There are many of them that have fine water systems and good health services and I would agree with you, many of them have good schools, Senator Curtis.

Senator **Humphrey**. I thought that point was very well taken, Carl.

Governor **Love**. But they don't have some of the other facilities that are attractive to someone who is looking for the location of a branch plant, and I think the incentive has to be provided.

Some greater economic benefit is going to have to be made available to the company, the entrepreneur, to locate in this area simply as a matter of national policy.

Now, we use our tax system as a matter of national policy, not just as a means to collect revenue but to express national policies, and I don't think it is inconsistent that it be done in this instance.

Senator **Humphrey**. I think we have to be sufficiently ingenious and in a sense almost tough about it to get this job done. The needs of our rural areas, the needs are so manifold. Transportation policies are so vital here, too—I mean the access and movement in and out.

You know, for years we subsidized airlines to get them started in Minneapolis, Omaha, and Denver, and so on. Now the minute that somebody talks about some kind of airline subsidy to get them out to Worthington, Minn., and I can think of some others—there is a big to-do about it and some of the airlines don't want to cooperate.

I appeared before the CAB, which was not what Senators are supposed to do, but I was upset because the packing plant that was in Worthington, and some of the other industries, would have had to close because the company officials travel by jet and prop plane; they don't all come from the same town. I mean, industries change. We have mergers and then bigger companies and if you don't have a good means of transportation for them to get in and out of such towns they just plain won't stick around. And I went up there and lobbied like fury. I used to say that I would fight for anything for Minnesota that wasn't nailed down or that they didn't put you in jail for; and I really meant that.

The other day I was over here to EDA, Economic Development Administration. We always talk about the poverty of Mississippi and the poverty of this or that one, because we like to talk about other people's problems; but I want you to come to Clearwater County, Minn., sometime. You will see some really poor people; we have got lots of them down through central Minnesota. I get ashamed to say just an awful lot of folks are in serious trouble and I don't need to go to Mississippi to pick on them in order to find problems.

But I went over to EDA and I found out—I was ready to give them a real rough time except I found out they had only $50 million for development loans for new businesses, new industries, for the whole country. I said I can use that much in White County, Minn., right in the county seat in Buffalo, where I live, right out there around Waverly—$50 million.

We have a little community up there called Sebeka and the only products we have is woodpulp. I know the Lord should have been more generous with us but He was on His woodpulp day when he came to Sebeka. We have there a lot of scrub trees and pine trees and birch. We have woodpulp and we want to put a papermill there and if we are not able to get the means to build a papermill there—when I say "we" I mean private investors because this isn't going to be a socialistic enterprise—then everybody there is either going to leave, Governor, or they are going to go on welfare.

Governor LOVE. And where will they go?

Senator HUMPHREY. Where will they go? Most of them will move to Minneapolis and get on Hennepin County welfare because we are short of jobs there. When you train people for jobs you have to have the jobs for them.

Governor LOVE. That is right.

Senator HUMPHREY. We can develop some jobs up there in that area and I'll be darned, I couldn't get the money. Of course, I am not angry at the administration. I am angry at myself because we have got to do something about seeing to it that there is more than $50 million for economic development in this country. When I think of the amount of money that we pour out to help other people, I am going to spend the next 10 years of my life trying to develop this country and then maybe we can help some other countries, and I am not an isolationist.

Senator CURTIS. We know that. He has been scolding me for years on some of these matters, but I think we need a decade of attention to ourselves here to get our house back in order and if we don't do that, we are not going to help anybody.

If this thing keeps going like I feel it is, more and more people on welfare, more and more people leaving rural counties and running to the cities—and that statistical information as to cost per capita of services—there just isn't going to be anybody to pay the bills.

Governor LOVE. You know, it seems to me, Mr. Chairman, that in the current thinking or at least on the part of some people, the concern that some very concerned people have that we are a materialistic society or the rather bad name that industry sometimes gets now with its effect on the environment, and so on, I don't think that we can safely, particularly in the area we are talking about, accept that and reverse completely the thought that America needs, and this is somehow so basic it gets lost sight of, it needs to produce more. It needs to have more jobs. We need to protect the environment certainly and I am surprised that that wasn't the thing that destroyed your paper mill rather than the lack of money. And we need to reorient our thinking in many ways, but with the people we are talking about, and this is true across the Nation, we need to have greater productivity which would bring more jobs, and this is the answer we are talking about in the areas that we are talking about in this subcommittee hearing, I believe.

Senator HUMPHREY. I just have one question and then I want Senator Curtis to interrogate you.

You heard some comments here about revenue sharing. We have had our preliminary hearing on that. We will have other witnesses in later because I think there is much more we need to know about it.

On revenue sharing in your State, Governor you are familiar with the general outlines of the proposal. There are two kinds—I am talking about the special revenue sharing.

Governor LOVE. Right.

Senator HUMPHREY. That would amount to about $1,100 million for the entire Nation under the rural community revenue sharing. The bulk of this money would come from the present categorical grant programs, and according to figures given us by the White House, Colorado would receive $10 million, $137,000 under the special revenue sharing approach. This is the exact amount of what the administration calls its hold harmless baseline, whatever that means.

Governor LOVE. I think it means——

Senator HUMPHREY. As I understand, the hold harmless baseline is the 4-year average of what each State has received under the categorical grants programs which would be combined now into the special revenue sharing. Therefore it seems that Colorado would get the same amount of money that it is now receiving under the categorical grant programs—no more, no less.

Now, Governor, would you prefer to have the programs which are combined in special revenue sharing—water and sewer grants, the forest service grants, Agricultural Extension Service, and others—would you prefer to have them as individual efforts or would you prefer to be given the money that presently goes to these programs to spend as you will?

Governor Love. Well, I would prefer, Mr. Chairman, to the extent possible to have them in the form of block grants. I know that it has been said many times but I would decry again the fragmentation that has come from the categorical grants that have proliferated and been increased.

I believe that we would know in Colorado and could administer the kind of program that is broadened in more effective, more efficient manner than we could if each piece is tied to a particular restriction or set of circumstances.

I would add, however, that whether this particular special revenue section passes or not, does not indeed get at the heart of what we are talking about in this hearing, about the kind of rural policy that we need. I say that I would prefer and would support not only general revenue sharing but special revenue sharing—but not as an answer to this problem here.

Senator Humphrey. I like what you said. These are really block grants. That is we are really talking about, outside of the general revenue sharing, and that is always a subject of considerable discussion. There is undoubtedly some benefit to be derived from certain block grants, particularly at local administrative levels, and you have correctly noted that it doesn't get at the particular problem that you have discussed here, in relation to economic development and job opportunities, and I think that is the missing section here.

I don't want to get this committee just bound up in the battle over special revenue sharing and forget what the ballgame is about. This is part of the show.

Senator, I am sorry to take so much time.

Senator Curtis. That is all right.

Governor Love, out of deference to the witness who follows you, I will make this rather short. You made very fine contributions to our record here this morning and a number of important points. I noted particularly what you had to say about the San Luis Valley.

I visited out there so many times; it is a wonderful place.

What this amounts to is while States and State governments are concerned, vitally concerned, with this population loss and the failure of some communities to go ahead with job opportunities, we are really dealing with a series of community problems; isn't that correct?

Governor Love. I would agree.

Senator Curtis. Because the area that you mentioned is not too many miles from the area that is on the verge of becoming one great metropolitan area. I think that that has been a very valuable contribution to our work here as we just are beginning these hearings. There are many other points, too.

We are just delighted to have you here and I concur with what you have said.

Governor LOVE. Thank you very much.

Senator HUMPHREY. I think we should tell the Governor we are not letting you off as easily as today because we want you to give us—and you will be getting a letter from the committee—a sort of a picture of what you are doing in Colorado in rural development and, Governor, what you would like to do.

I think there is a tremendous reservoir of good ideas here from people like yourself.

How long have you been Governor, now?

Governor LOVE. I was elected first in 1962 and took office in January, 1963.

Senator HUMPHREY. Well, you have had 8 years now of practical experience with your State, during a peroid of tremendous development. I suppose in this last 10-year period that more changes have taken place in Colorado than in the previous 20, 25, 30 years?

Governor LOVE. And as I say, it seems to me at least, and it is partly because I am more familiar with it, but it is easier to see what the problem is in Colorado than it is in the rest of the country.

I don't mean to delay Governor Guy, but in addition to being not only willing but pleased to provide the additional information which you seek, if you would find it advantageous we will be delighted to have your subcommittee meet in Colorado at some time in the future.

Senator HUMPHREY. I am very partial to it.

Governor LOVE. It is a good time to come; come in the summer.

Senator HUMPHREY. I spent one of the most beautiful years in my life in your State and I love it.

Sorry, Carl, I haven't spent that much time in Nebraska.

Thank you, Governor.

Governor Guy of North Dakota, we want to welcome you.

Governor, we are pleased to have you come all the way from Bismarck to share this time with us and I want to say for the purpose of this record and sharing my thoughts with my colleague, Senator Curtis, that I have been duly impressed over the years with your dedication to rural America and your thoughtful and constructive suggestions, including your messages to the legislature and the very significant messages that you have made on other public occasions, and before other public bodies.

We welcome you and thank you for coming, and let us hear from your wise and good mind.

STATEMENT OF HON. WILLIAM L. GUY, GOVERNOR, STATE OF NORTH DAKOTA, BISMARCK, N. DAK.

Governor GUY. Mr. Chairman and Senator Curtis, may I present my aide, Arthur McKinney, who will help me.

Senator HUMPHREY. Mr. McKinney, we welcome you.

Governor GUY. What we are discussing this morning is the single most important issue facing the Nation today, though sadly not enough leaders have a broad enough viewpoint to recognize it.

Population maldistribution is the core that feeds hundreds of categorical, economic, and environmental problems that plague most countries of the world but particularly the United States of America.

We have discovered in America that there is a big difference between standard of living and quality of living.

Standard of living refers to technological advances, such as the automobile, color television, nylon hose, golf carts, jet airplane travel, Cinerama, Salk vaccine, electric mixers, air hammers, vacuum cleaners, and on and on.

Quality of living refers to the environment in which we live—the noise level, the purity of water, the wholesomeness of air, the esthetic view of flowers and mountains, the freedom to think and live according to our own designs, the absence of fear from crime and disaster, and a low level of the frustration that can plague the life of a human being.

We find the standard of living rising while the quality of living is lowering in the United States.

It is obvious that two major factors are involved in standard of living and in quality of living. One factor is technological advance, the supporting structure to a rising standard of living. A second factor which dominates is our increasing population and its distribution as the root cause of a diminishing quality of living.

It is ironic that technological advance can raise the standard of living and yet be a secondary factor in diminishing quality of life. Uncontrolled or misdirected technology can lower the quality of life through such abuses as air, water, and noise pollution of the environment.

Our economic system calls for technological advance and competition and, therefore, we can expect our standard of living to continue to rise rapidly in the future. Will this rise add or detract from the quality of living?

The distribution of our population, however, as it affects the quality of life can be quite separate and apart from the relentless change that goes on in our technical and economic system. Population distribution has long been a direct or indirect concern of people the world over, but especially in the United States.

Exploration of new lands and colonization or settlement of the frontier have long been a policy pursued by civilized men. Our United States has pursued population distribution programs in several forms over the years.

The Homestead Act was designed to attract people into underpopulated areas of the country.

The land grant to railroads was designed to open up new opportunities in the West.

Land grants to schools, colleges, and universities were a part of a program to furnish educational opportunity that would make life in the underpopulated part of the country more attractive.

A 160-acre maximum for irrigation units was imposed upon Bureau of Reclamation projects so that opportunity for irrigation benefits would accrue to many people.

Horace Greeley's population distribution program was: "Go west, young man, go west."

In recent decades the old policies and programs to distribute population have become overrun and almost ineffective because of the increased national population, the onslaught of technology, and the disappearance of the Western frontier.

Why is our Nation suddenly concerned about population distribution?

The violence and the low quality of life that has been known in the crowded ghettos of our largest cities for decades is now spreading to the urban areas and to the smaller cities. Part of this cancerous spread can be attributed to congestion of people.

Overpopulation and congestion are extremely costly, both in economic cost and in social cost. The economic costs of congestion as reflected in transportation cost, insurance cost, air and water pollution control cost, fire and police protection, hospitalization, education, and recreation are staggering.

The social costs of hopelessness, frustration, mental illness, fear, lives turned to crime, and reduced productivity of individuals are impossible to measure but we know they are substantial and real costs.

The Nation's attention is pointed to the vast problems of uncontrolled population density and the fading of opportunities for a good life in congested areas.

It is natural that the attention of the news media, the politician, and the sociologist be directed toward the problems of the cities because that is where most of the people are. And measured in the number of those who cry out for help, it would appear that the problem of population distribution exists mainly in the city. But the high economic and social costs of city congestion are only one side of the coin. The other side of the coin, with problems that are just as real if not as dramatic, is the problem of underpopulation.

There are areas, States and regions where people are leaving the farms and ranches and small town communities seeking opportunity elsewhere. This movement away from the rural areas results in lower tax base and a gradual diminishing of the number of people necessary to support such essential institutions as schools, hospitals, churches, and recreational facilities. The standard of living and the quality of living then diminish in the underpopulated areas.

We are told that with the present trend of population growth in this country we will have 100 million more Americans living here in the year 2000 than we have at present.

Where will they live? Can they be absorbed without further destruction of the quality of life that we have in this country today?

The answer should be obvious, even without scientific documentation. One hundred million more Americans crowded into the present congested areas in this Nation will create the impossible situation of continuing deterioration of services that is already plainly seen in some of our largest cities.

The United States desperately needs a population distribution policy and I cannot emphasize that too strongly, the United States desperately needs a population distribution policy that could guide both the private economic sector and the levels of government.

This policy should state that it is possible to maintain and even increase the quality of life for all Americans if we distribute the opportunities, and hence jobs, and hence people over a wide geographic area of our country.

The planning of our private sector of the economy should be voluntarily directed toward the following of such a policy.

Whether you call the policy one of voluntary population distribution, or opportunity distribution, or rural-urban balance would not matter so long as the principle is applied.

But most important, perhaps, is the need for our Federal Government to be pursuing a goal of population distribution. The Federal Government at present, through its myriad of unorganized, inadvertent programs is the greatest factor in this Nation's maldistribution and shift of population. I want to emphasize that as strongly as I can. The Federal Government, at the present, through its myriad of unorganized, inadvertent programs, is the greatest factor in this Nation's maldistribution and shift of population.

It does not need to be that way. This is not a natural phenomenon like the rising of the sun. It is manmade.

A brief example of government policy becoming the root cause of population shift could begin with Defense Department higher-education grants. A university research department built up in a specific discipline by research grants causes a brain drain in that field to the university. This brain drain sets up a situation which perpetuates large Federal educational grants to the university.

Defense industries expand and locate near the institution of higher education which has a Government-stimulated research expertise. These defense industries then set in motion a skilled worker drain.

The primary defense industries, of course, then generate satellite industries and service industries which further cause a shift or an inflow of people.

This rapidly growing complex, triggered by Defense Department grants and contracts, now requires increased educational and medical facilities.

Federal Government programs are implemented to provide more primary and secondary school classrooms and junior college facilities. Hill-Burton funds are made available to build hospitals and clinics. These new additions cause educators and health professionals to shift from other areas to this new area of demand.

This process is even carried out in the field of recreation and cultural advantages to include Federal programs to assist in recreational facility development, art galleries, drama theatres, and the like. This in turn causes people to gravitate to this area who are skilled in recreational direction and teaching, and participation in the arts.

This wrenching and tearing was provoked by the Federal defense effort and fed by other Federal programs. Problems were created in underpopulated areas by causing people to be attracted out in an attempt to fill the manpower needs of Federal programs designed to alleviate problems in over-populated areas already overcrowded by other federally induced population shifts.

I believe quality of life can be enhanced for all Americans by Government programs following a single national policy of distribution of opportunity and population.

For example, the Department of Defense must be made conscious of the vast power it has in shifting population by actions it takes through such programs as it's educational grants and defense procurement contracts. The same is true of other Federal grants and projects, of course.

We might take the pressure off both the congested areas and the underpopulated areas of our country by considering some programs in an integrated plan under a national population distribution policy. I would suggest consideration of the following:

1. A complete overhaul of the Interstate Commerce Commission and its archaic freight rate determining mechanism in order that areas which are now denied adequate transportation rates and service can be made economically competitive with other areas now enjoying economic advantage.

2. A national plan of water resource protection, preservation, and development so that water resources would remain available in underpopulated areas rather than diverted to already congested areas for further population growth.

3. Incentive programs to encourage small industry to expand to areas designated by the Federal Government as underpopulated through devices such as these: (*a*) Federal tax incentives; (*b*) Federal Small Busines Administration loans with subsidized interest rates; and (*c*) manpower training programs to assure a supply of trained labor.

4. Placement of major Federal installations in areas of underpopulation.

5. Major Federal research grants to colleges and universities located in those States or areas which can gracefully absorb a larger population.

6. Federal procurement contract preference to industries which are small and which might be located in an area in which greater population growth is being encouraged.

7. An agricultural price support and farm credit program that would be adequate to make it possible for farmers to continue as producers on individual units rather than the present trend toward large-scale corporation farming.

You will note that the suggestions I make here are those which would increase opportunity in areas not suffering from overpopulation and, therefore, only indirectly deal with areas badly congested with too many people.

My view of the passing scene for the past decade has been that of Governor of North Dakota, a State with a very high quality of living but a low density of population.

Our State's population decreased from 632,446 people in 1960 to 617,761 in 1970. Our upper Midwest farm States of North Dakota, South Dakota, Montana and Wyoming lost population or increased only slightly in the last decade.

I have watched an average of nearly 10,000 North Dakotans leave each year because job opportunities do not exist in sufficient numbers to hold them in their native State.

The loss of these young, productive, well-educated, and trained North Dakotans is difficult to accept when they are needed so urgently in North Dakota. When these young people leave our State, drawn by the lure of job opportunities elsewhere, they become part of the problem of overcongestion in another State.

North Dakota does not seek a large influx of new people, but we believe we should somehow be able to hold those 300,000 of our own children who will probably migrate to other States in the next 30 years. North Dakota also feels some responsibility to take its place in absorbing a part of the national population increase.

North Dakota is the most agricultural of all the States. Its geographic location in the center of the continent is one major factor which has kept manufacturing growth down, and hence job opportunities outside of farming are scarce.

This Nation's policy of Federal programs which guarantee food to the Nation's consumers at very low prices, along with the technological change in farm machinery, has shifted tens of thousands of people out of the business of farming into other pursuits.

Twenty years ago there were 254,487 people living on North Dakota farms. Today there are approximately 157,500 people living in the country on farms. Most of these people have abandoned farming. Others still farm from a base in town.

This replacement of human resources by mechanical resources might be justified in terms of cheap food to consumers, but it has raised havoc with the social and economic structure of rural communities.

There are proposals that our Nation's population growth can be absorbed by new model cities started from scratch. This is certainly part of the solution and a good one, but does it go far enough?

If each State were to build a new model city to serve 250,000 people by the end of this century, we would have accommodated 12.5 million people in those model cities and there would still be 88 million more Americans asking where they were expected to live. It is necessary to provide job opportunities as well as residences.

There are those who say that certain cities should be designated as growth centers and that those growth centers should be cities which have at present 50,000 people or more. I cannot agree.

I believe every city and village in rural America, no matter what its size, has a potential to be a growth center. No matter what size we find a city in America today, it was once a tiny village.

I emphasize that some villages and cities have certain advantages from the standpoint of geographic location, water resources and so forth but under no circumstances could I support a program that would recognize only certain sized towns and cities as potential growth centers.

If there is an emphasis on programs to promote growth, it should include the smallest village that seeks to increase its size.

What needs to be done in the already overcrowded cities and urban areas is another vast story and I do not attempt in this paper to offer solutions for conditions of present overcrowding. My suggestions on population distribution are an attempt to peer into the future.

The number of programs that could be adopted under a national population distribution policy is endless.

The major hurdle now is to admit as a Nation that quality of life is rapidly diminishing in many areas and that unless we do have a national policy of opportunity distribution, and hence population distribution, we are headed for ever-increasing economic and social problems as integral parts of a rapidly diminishing quality of life.

There has long been an attitude in America that the king can do no wrong. Yet, evidence abounds that the king, or those who hold economic or government powers, can do wrong and are doing wrong. Wrong is being done because there is not enough Federal leadership to do right.

It is already too late to retrieve the lives of millions of Americans who have already passed away or are finishing out a life of suffering because we believed that every person, organization, business, or corporation and governmental unit should be allowed to do their own thing unhampered by any national policy of voluntary population distribution. I believe the day of that questionable luxury is past.

The shrinking farm population of the countryside and the dying rural communities in North Dakota are experiencing serious problems to the people remaining, less dramatic perhaps than the teeming, crime-ridden, congested, poverty stricken, frustrating existence of those people who push and shove and fight their way toward the imagined opportunities that quite often do not exist for them in the cities and urban areas.

I have seen the Federal Government for years trying to beat out a few little brush fires while the forest fire behind them rages out of control.

I think it is time for national planning to attack distribution of opportunity on a comprehensive and total front.

Population maldistribution is the root cause of so many seemingly separate social and economic ills of our Nation. It should be treated first.

This hearing could well be of exceptionally historic import. It marks the first time that Congress has indicated that population distribution is a comprehensive problem that must be treated on an incredibly broad front under a single national policy.

Now, Mr. Chairman, I jotted a few quick notes down from the testimony previously.

Senator HUMPHREY. Please share your thoughts with us on those.

Governor GUY. In 1966 I introduced the first resolution to the National Governors Conference calling for a national policy on population distribution. That resolution submitted to the Regulations Committee was laughed out of the committee. So I took it to the floor of the conference and after a very lively and long debate, it was passed unanimously by all the Governors.

I have submitted those resolutions each year since and they have passed unanimously.

The Governors of this country realize and call out for a national population distribution policy.

Secretary Freeman was one of our first exponents, that I am aware of, to point to the need for what he called rural-urban balance. I give him credit for pioneering in that field.

I visited some of the countries that you have mentioned. The Japanese Governors visited America in 1968. As chairman of the National Governors Conference in that year it was my privilege to host them in Des Moines. We asked the Japanese Governors what subject they would like to take up in joint conference. The subject that they asked to discuss was what is America doing about maldistribution of population, and we had to admit that America is doing nothing.

King Olaf of Norway visited the upper Midwest in 1969. In an offhand remark he said one of Norway's biggest problems is the shift of population from the countryside to the cities, and we are not prepared to handle it.

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In 1970, a delegation of Nigerian students visited my office. They asked me what I thought was the greatest problem in America and I said population distribution. I said you in the underdeveloped countries don't have that problem, and they burst out laughing. They said that is one of their major problems of people coming in from the countryside totally incapable of employment, but congesting the urban areas.

Senator Curtis asked a question about planning and I want to make this statement as forcefully as I can:

The U.S. Federal Government is the only level of government in our Federal system that studiously avoids comprehensive planning. States and local governments are way ahead. If you go down to the State office building right here a block from the White House, the comprehensive plan for Washington, D.C., is on display; and yet we haven't come to the realization that we need a comprehensive plan for the United States of America.

It is very difficult for State and local government to mesh their planning with Federal policy that does not exist in a comprehensive Federal plan.

I might site one example:

Railpax is a popular subject of thought and conversation and yet Railpax today is set up to furnish transportation from one congested area to the other.

Senator **Humphrey**. Governor——

Governor **Guy**. It totally misses the point, that we must develop other areas of this Nation and it requires transportation to do it.

Senator **Humphrey**. In fact, I am pleased that you have noted Railpax. I was going to ask something about that, because Railpax not only affords a means of transportation from one congested area to another but it runs totally contrary to declared national policy, public law, in the Agricultural Act of 1970.

The Agricultural Act of 1970 is just as much a law as the NATO Treaty and we are always being reminded of our foreign commitments. We have some domestic commitments and the law of title IX of the Agricultural Act of 1970 says the peace, the prosperity, and the well-being—I have forgotten the exact words—of this Nation depends upon a better distribution of population, and the availability of opportunities, et cetera, in our rural areas as well as our urban areas.

Now, the Railpax operation is an open defiance, open violation, of this law, but is was conceived because there is no national plan.

I am so glad to hear what you have said. We are afraid to talk about national planning. We have a State plan in Minnesota, as you know. We have a State planning board. I know you have State planning in your State. The 50 States with few exceptions, I suppose, have some form of State planning and most all cities have a city planning commission.

The planning agency of the Federal Government that is supposed to have a passion for anonymity is known as the Bureau of the Budget. There has never been any relationship between what any department of the Federal Government is doing and what you want to do in N.D. The Bureau of the Budget was conceived in secrecy and presented to the Congress of the United States as if it was the Immaculate Conception.

Governor Guy. Mr. Chairman, if I can observe, this is the day of the computer where we can store a fantastic amount of useful information, and yet the Federal Government has so fragmented this valuable tool that it is almost unusable in total planning.

In my judgment the most important Cabinet level department should be the Department of National Planning with a Division of the Bureau of the Budget and a Division of Executive Management in it. I have advocated that for several years, but I can't seem to get anybody to realize what it is like to be in a State trying to deal with a Federal Government that doesn't know where it is going.

Senator Humphrey. And the Congress of the United States is divided jurisdictionally in such a way that each part is like a member of the United Nations—Armed Services, Foreign Relations, Judiciary, Agriculture, Labor. When we get together it is by accident rather than by design. There is no joint committee in the Congress nor any special committee on national goals and priorities. None.

If I were to ask three of the most intelligent and well informed persons in the United States what are our national goals and priorities and they would give me three different answers.

We don't know what the goals are. We don't know what the priorities are. We don't know where we are going to put our resources. We haven't the slightest idea. And while this is not the only—on total problem relating to population distribution, it surely is involved.

I call it national growth policy, but I think you were getting at the same thing, population distribution and national growth. I mean the movement and settlement pattern of population and the development of the economic resources of our country.

Governor Guy. Senator, I find some people are reluctant to accept the phrase "voluntary population distribution," but when I use the phrase "distribution of opportunity," which means the same thing, it is more acceptable.

Senator Humphrey. Well, whatever it is, it needs to be done. I must say, Governor, I am very impressed by some of the specific recommendations you have made. No, we have heard from many people. We have read a lot and we are getting a good deal of information. I venture to say that very few people today accept a few with some political orientation, are recommending a complete overhaul of the Interstate Commerce Commission and its archaic freight rate determining mechanism. The ICC is life and death for some of us in certain areas of this country. The same thing is true of the CAB, Federal Aviation Administration, the Maritime Commission.

I had a little problem the other day with the Port of Duluth where the Federal Government was killing our port on which we have spent hundreds of millions of dollars to bring the St. Lawrence Seaway benefits all the way up to the Great Lakes and Lake Superior; and the policy of the Federal Government was denying us the shipment of goods. They were shipping grain and food and processed materials by rail clear across the United States to east coast ports at exorbitant rates as compared to what they could have shipped out of the Port at Duluth.

We were shipping a year ago tonnage running 6,000 to 8,000 tons of this food product in the month of March. We shipped 40 tons this last year in the month of March.

That is why I think your statement is so pertinent. It is so direct. We are going to get some attention in this country for this problem.

Now, here you are possibly the best informed man in the United States on this subject, at least I think you are. And that is why you were invited. And for some reason or another there are people more interested in the half dozen kids out here running up and down in the street, although for a good cause—to end the war—but they are more interested in them, than they are in the total future in this country, about population distribution. Until we can find a way and a means to get public attention we are not going to get anything done in America, because America works on what I call psychological, physiological policy: Empty stomach, ful head; full stomach, empty head.

You know you have got to be hurt before you get well. I regret it but that is the way it goes and we have to get some attention before we get any answers.

Now, we are getting some answers from you. I liked your specifics. The incentive programs, a place for the Federal installations in areas of underpopulation.

The Federal Government makes General Motors look like it is a peanut stand when it comes to purchases and business contracts. By the sheer impact of contracts and location of facilities, you can change the population pattern in this country; no doubt about it. And, by the way, I want the staff to take a look at the Committee on Government Operations of some years ago when I was there as chairman of the Subcommittee on Research and Reorganization.

We did a study on the allocation of Government grants for research and development.

For example, I had the president of the University of California in. We found that they had 30—or 25, I guess, Nobel Prize winners and when I was complaining that there were not enough Government grants going into North Dakota for research, or South Dakota—we were doing quite well at the University of Minnesota since it is a big university—but in some of the smaller communities and smaller colleges the answer was, well, you don't have any Nobel Prize winners. I said, well, how many did California have before you put in the first Federal money? The rich get richer, the poor get poorer. They had one. And after they put in about another $100 million they got five. Then you get five and you get six and then you put in another $100 million and you get 12; and 60 percent of the entire budget of the University of California was Federal grants, 60 percent.

You go to Boston and in the Lincoln Laboratories—I think in the testimony here today from either yourself or Governor Love, it was stated that when you start putting Federal moneys in, you not only create the research establishment but also the industry follows the research and then the auxiliary industries follow the big industries and pretty soon you get a solid mass of economy and human activity and you are soon faced with the problem of what are you going to do about the poor housing and the highways.

I think we can demonstrate categorically, and I am saying this primarily for the benefit of my staff people here, that we can demonstrate that the taxpayers of this country can reduce their outlays for improving the quality of life in this country by 50 percent if we get a better population distribution. I am sure of it. We can reduce the tax outlay, the cost to the taxpayers for services, by 50 percent if we get a more dispensed population distribution in this country because when you start to put social services into these extremely large cities, which are absolutely necessary under present conditions, the cost is fantastic.

When my people read in Minnesota that the city of New York pays $600 a month or $800 a month for housing a relief client, a welfare case, I get about a thousand letters wanting to know what has gone wrong? "Are you going to vote for that, Humphrey?" You know it doesn't make much sense, but in New York things are very costly.

Well, enough of that. I would like to hear from your associate if he has any observations he would like to make.

What is your role, sir?

STATEMENT OF ARTHUR McKINNEY, ADMINISTRATIVE ASSISTANT TO THE GOVERNOR, STATE OF NORTH DAKOTA, BISMARCK, N. DAK.

Mr. McKinney. I am administrative assistant to Governor Guy. I don't believe I could add anything to what the Governor has said. We feel very strongly about these problems in North Dakota because as you said earlier today, we are faced with these problems on a day-to-day basis and so we see the problems. We live with them every day.

Senator Humphrey. Governor, do you have a rural development program in North Dakota, a specifically designated one?

Governor Guy. We have a pilot project that encompasses several counties.

Senator Humphrey. Multicounty operation?

Governor Guy. Right, but the Rural Development Administration that came out said they could go only into depressed areas, meaning the Indian reservations. I told these people the only hope that we have of helping these Indians is to develop where development can take place and provide them jobs, which is not on the reservation. So unless you declare all of the State of North Dakota as eligible under the Rural Development—this was Economic Development Administration—I said I don't want to participate at all. So we have a rural development project, yes. We have a wheel-spinning operation going on now where Federal agencies are trying to get together to do things, but something is missing. I don't know what it is. So, EDA and Rural Development both have really not taken hold in our State.

Senator Humphrey. Well, one of the things that is missing in these coordinations of Federal agencies, is they don't know what they are coordinating.

Governor Guy. That is right. That is part of it.

Senator Humphrey. I mean, what is the plan that encompasses North and South Dakota, for example, Wyoming, Montana, part of Missouri? We are all in the Missouri River Basin, so to speak, there. The river basin concept has a great deal of relevancy to our economic and social problems. You get the Federal agencies together and most of the people that run them don't even know where the Missouri River is until they get out there. That is the God's truth. I have worked with these people. They are bright; they are smart, but somehow or other you are not smart enough unless you have been educated certain places. You know, you cannot possibly know what is going out in our part of the country if you have got a degree from Dartmouth. Well, that doesn't help out there particularly.

Governor GUY. You asked some questions on revenue sharing and generally I support President Nixon's concept on revenue sharing. I have no quarrel with the general revenue sharing but his block grants, the President's block grants or bringing some categories together poses some problems for us.

For example, he has stopped the release of $300,000 to form a five-State economic development region because he says we will soon be getting revenue sharing and we States can make a decision whether we want to use that Federal money for a five-State economic development region. But that is objectionable because we don't then have the Federal agencies tied in with this five-State regional operation; and, furthermore, the priority in Wyoming might be different than the priority in South Dakota or Montana and we might never get together under that type of a block grant.

The Arts and Humanities Council, if that were included in an educational block grant, it would die in North Dakota. So if that is to live, some of these programs must remain as categorical grants.

Some of them lend themselves to block grants, but those that involve multistate activity or Federal cooperation will not lend themselves to block grant revenue sharing.

Senator HUMPHREY. We are going to send to your office, Governor, some questions that we think ought to be answered to get us some more detailed information. You will be asked to give us an overall review of your situation in your State on rural development, population distribution, what you are trying to do about it, what funds you think the Federal Government ought to be pumping into that particular area.

I was just appalled yesterday when I went to EDA and found out that they had the grand total of $50 million for the entire United States of America, for over 1,000 counties that have lost population or 300 counties that they call distressed counties, $50 million for economic development of this great Republic. That would not develop Marysville Township; it is just disgusting. And we have got to do something about it. This is what we call getting our priorities straightened out. But we are going to need the help of men like yourself.

Now, if you will tell me how I can get some attention as to what is going on in this country on the need for more dispensed population distribution, I would appreciate it.

Now, the National Farmers Union came here to Washington. It is a great organization; it had its national convention here in the city of Washington. They wanted a radio station; they wanted a TV camera to cover their convention activities. They were here 5 days. They had a thousand people here. And they needed no press attention. They had as many people here, by the way, as camped out here on the Mall. The trouble was that they stayed in hotels.

Now, how do we get the plight of these people to the attention of the New York Times and the Chicago Tribune and ABC and NBC and CBS, which are great educational industries in their own right? I mean, how do we do that?

We had the Census Director up here who gave us information before anything was published. Wouldn't you have thought somebody would have enough sense to grab onto it? Here was a man that was giving us inside statistical evidence in advance of publication. Not a single person was here to cover it. I enjoyed it. It was a nice conversation. I am smarter than most people now because I got this advance information.

We had three Cabinet officers here to talk about revenue sharing and rural community development and not a single camera or radio microphone.

How are we going to educate the American public? But somebody can come on down here and say, there are 22 kids unemployed someplace and there will be 44 cameras, particularly if they start raising cane.

I testified in a committee hearing the other day and they just packed them in, had cameras all over the place. I have a good idea how to get attention but I don't want to have to go into that.

Governor GUY. Senator, I think the first step is to get Congress to recognize that the most important single issue facing America today is population or distribution of opportunities and make a statement, a statement of principle or policy. The President should do it, but in the absence of the President I would think the Congress should do it, and then I think the need is to tie together both sides of the coin—John Lindsay's problem of congestion with Bill Guy's problem of loss of population.

Senator HUMPHREY. They are the opposite sides of the coin.

Governor GUY. Right.

Senator HUMPHREY. And we don't want to get into a situation here where we are antiurban. To the contrary.

Governor GUY. Not at all.

Senator HUMPHREY. I think those of us that live upstream know that the only way you control the flood downstream is in the watersheds and that is exactly where our problem is in urban America.

I see this happening in Minneapolis today. I see, for example, the young Indian youth coming into Minneapolis looking for a job. He couldn't get a job up in Becker County, in Beltrami County or couldn't get enough work on the reservation so he comes to Minneapolis. He cannot get a job there so he goes on relief. And it continues pouring in, pouring in, and on a worldwide basis.

Well, we are going to do our best. We are going out to Iowa next week, Governor, then over to the University of South Dakota, but we are also going to get into the Southwest and Northeast and middle Atlantic States.

I had the agricultural commissioner of Pennsylvania come to see me here yesterday. You know, I never dreamed that they had these type of serious problems in Pennsylvania, to show you how little we know. Did you ever take a look at a metropolitan newspaper and try to find anything about rural America? Really, our problem is communication. They talk about the generation gap. It is not that at all; it is a communications gap. We just don't know. People, just like our people regrettably out in the rural America, don't know enough about the situation. They don't understand the problem that Mr. Lindsay has to face or Mr. Tate, or Mr. Daley, or Mr. Flaherty over in Pittsburgh. We just somehow or other are not meshing and we cannot solve these problems just looking to rural America or looking to urban. We have got to take the Guy formula, take a look at both sides of the coin.

Thank you very much.

(Whereupon, at 1:10 p.m., the hearing was adjourned, to reconvene subject to the call of the Chair.)

RURAL DEVELOPMENT

WEDNESDAY, JUNE 16, 1971

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 1:30 p.m. in room 1318, New Senate Office Building, Hon. Hubert H. Humphrey presiding.

Present: Senators Humphrey, Curtis, Dole, and Bellmon.

STATEMENT OF HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. We will convene the hearing. Some of our Senate colleagues are over answering the quorum call right now. I hope you will bear with us. This has not turned out to be the day we exactly planned when we made these hearings, and there are a number of quorum calls that will be made and the necessity for Senators to move back and forth from the floor. I regret to hold you up. For a Senator, roll calls come first and hearings come second.

Today's hearing is a continuation of a series initiated by our Subcommittee on Rural Development of the Senate Committee on Agriculture and Forestry under Senate Resolution No. 76.

I have been asked why a subcommittee like ours should look into such broad matters as population migration, rural industrialization, manpower development and training, and other matters which seem so removed from farming.

It is true that our farmers represent the economic base of rural America. We must see to it that they get a better return on their investment. We must keep working toward full parity. No doubt many of our witnesses today will tell us just that.

But, the majority of the people who have remained in rural America are not farmers. Their lives are tied to small businesses, some related to agriculture, some not.

The live in small towns of which they are proud. But, many of these towns are dying because there are not enough jobs paying adequate wages. And, when those people finally leave rural America, there will be no chance to rebuild. Without people—the principal resource of this Nation—there will be no rural renewal in America.

The marginal farmer who works in town part of the time and farms the rest of the time will have to leave if there is no job in town.

And, it must be a decent job. Although per capita income in nonmetropolitan areas has been rising at a faster rate than in metropolitan areas for the past 40 years, there remains a large gap.

Despite improvement in rural community income in the 1960's, the generally lower level of income in rural areas as compared to urban areas has meant that rural poverty is still disproportionately high.

And, the highest levels of rural poverty are among those people who are not farming. The highest rates of unemployment, usually masked as underemployment, during the past 20 years have occurred not in farming but in farm-related and other typical rural industries such as mining.

Income is only one of the problems of our rural areas.

They also lack adequate specialized medical services and hospitals. In South Dakota, where I have my roots, there are 16 counties with no doctors—none at all.

In the State of Minnesota that I now have as my home, I found that even in the last few weeks, counties being devoid of medical care.

Infant mortality is as much as 7 percent higher in some rural counties than the national average.

We have known for years that children cannot get adequate training in poorly supported country schools. And, because of lower rural incomes, there are fewer country people able to attend college.

Two-thirds of our substandard housing is in rural America, and 19.5 million rural houses lack plumbing.

And we wonder why 25 million have left, and why 500,000 a year continue to leave.

Government policy has had the effect of creating a society that is geographically separate and unequal. The people who live in the country have a right to something better, and we must design a new government policy to provide that something.

I spoke to many of our Nation's mayors Monday—big city mayors. They have got enough people to contend with. And that is just the point.

The crisis of the cities begins with the crisis in rural community America. If we give people a freedom of residence—if we stop forcing them to move to the big cities—many will choose to live in, work and raise their children where their roots are, in our less populated communities.

Hopefully, many of those who left will return if only given jobs and a decent standard of life.

We do not have all the answers, but there are no real secrets to this. Nearly all of the answers appear to be economic ones.

Some people say it is too big a task—that there is no way to change our population patterns. But how do we know? We have never tried in a planned way.

Today and tomorrow we are going to hear from a number of organizations on a number of topics.

First, we have asked our witnesses to testify on the need for the development of a national growth policy in the United States.

Second, we want to hear whether our witnesses believe we need a national rural development program, and what part that program might play in a national development strategy.

Third, we have asked for comment on the President's special revenue sharing proposal for rural community America.

And finally, we have asked for testimony our witnesses might have on reorganizing the Department of Agriculture and other executive agencies concerned with rural development.

It is with these objectives in mind that we invite today our witnesses.

The first witness that we have, Senator Curtis, is Mr. William E. Murray, who is the legislative representative of the National Rural Electric Cooperative Association.

Mr. Murray, we welcome you.

By the way, may I commend your association for the number of fine ads that you run in some of the weekly magazines. I have read with great interest what you have had to say in those publications.

Senator CURTIS. May I make a brief statement?

Senator HUMPHREY. Please, Senator Curtis.

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Mr. Chairman, I, too, want to welcome all the witnesses that will be here today.

In my brief opening statement I may repeat what I have said before in these hearings.

I believe that rural development really boils down to the creation of job opportunities in rural America. I do not think that we should regard rural development as a substitute for farm policies that would bring prosperity to our farmers. Rural development should be regarded as something in addition to obtaining the goal of a just reward to our farmers for their efforts in their production.

I think rural America has much to offer, and if jobs are provided in private enterprise in our rural communities the improvements in housing and all these other desirable things will follow.

This will give the people living in the rural areas a broader base from which they can support their hospitals, their schools, and their other very worthwhile community institutions. It will also give balance to our total population picture in the United States.

We have in the rural areas something to offer. We have the finest place in the world to live. By building our populations there we, as the Chairman has said and many others have said, we will be relieving larger metropolitan areas and congested areas of at least a portion of their problems that they have because of the concentration of population.

Thank you.

Senator HUMPHREY. Thank you, Senator Curtis.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator DOLE. Mr. Chairman, I would like to commend you for conducting these hearings to hear views of farm organizations on their priorities for rural development planning. It is well that these organizations should be heard in this subcommittee's deliberations, for we must consider the farmers first in any plan for rural development.

Even at this early state in our proceedings, I have received mail from farmers who have seen media commentaries on our subcommittee's first held hearings; and some of them are fearful that the Government rural development program may seek to take over their farmland on a massive scale and develop new cities to accommodate people from problem urban centers. They picture something akin to the experience of the American Indian, when lands were taken out by the Federal Government and made available for "development" by outsiders.

But this sort of thing is not going to happen. No member of this subcommittee, nor any member of the full Senate Agriculture and Forestry Committee, would subject our farmers to any such policy, in the attempt to solve the many problems of urban centers. Nonetheless, we need to provide assurance to our farmers that their interests will be of paramount concern in our rural development programs. And in devising a rural development plan, we should make every effort to assure fair, if not preferential treatment, for our farmers.

It is time the farmers of this Nation were allowed to share in the benefits of our prosperous economy in the same manner as the urban population of the Nation.

The first and most important consideration in any rural development plan should be: "What will this do to improve the income and living conditions of our farmers." The average income of our farmers is about $5,400 per year, which is $100 less than what many urban welfare lobby groups feel should be the national guaranteed income level.

It is true that farm income for all farmers has risen in the past 2 years faster than it did from 1961 to 1968. Total income is now more than $16 billion. But farmers are still leaving their farms in large numbers because the small increase in their net income has not kept pace with increases in the price they have to pay for farm implements, seed, fertilizer, chemicals, and other requirements for the production of our Nation's food and fiber. The Department of Agriculture reports that while total farm income increased $1.6 billion during 1970 the cost of production increased $2 billion, resulting in a per capita average net income for 1970 that was $39 less than in 1969. Farmers, thus, earn only about 78 percent as much income as individuals in the nonfarm segment of our economy, and in most cases, their hours are longer, and their work is much harder. So, Mr. Chairman, I would like to emphasize the need for this committee to approach rural development from the basis of helping the farmer first—and assuring that any area or community development be evaluated first in terms of the farmers' needs and rightful expectations.

I look forward to hearing today's testimony of spokesmen for farm organizations, those who can give us a first-hand report on the American farmers' views of rural development.

Senator HUMPHREY. Senator Bellmon is with us, Senator Bellmon of Oklahoma.

Senator, any comments would you like to make?

Senator BELLMON. No.

Senator HUMPHREY. Would you proceed with your testimony, Mr. Murray.

STATEMENT OF WILLIAM E. MURRAY, LEGISLATIVE REPRESENTATIVE, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. MURRAY. Thank you, Mr. Chairman. We very much appreciate those kind remarks about our national advertising program.

Also I would like to say that we agree with that very fine opening statement which you made and the statement that Senator Curtis made. We certainly recognize that agriculture is the base of the economy of rural areas, but as you point out and as many point out, there are very few jobs left in agriculture. There are a lot of other people in the rural areas that require job opportunities.

My name is William E. Murray. I am legislative representative for rural area development of the National Rural Electric Cooperative Association, the national service organization of 988 rural electric systems operating in 46 States. These systems, most of which are nonprofit cooperatives, supply central station electric service to approximately 24 million farm and rural people, which is about 40 percent of the people remaining in rural America.

Their lines serve in 2,600 of the Nation's 3,100 counties, an area constituting about 70 percent of continental United States. We appreciate very much this opportunity to express our views on the matters which you outlined in your statement, Mr. Chairman.

1. NEED FOR A BALANCED NATIONAL GROWTH POLICY

The migration of more than 25 million displaced farmers and rural people to urban areas since the midforties has created a population imbalance with tragic consequences both to large cities and to small rural communities. This imbalance constitutes a national problem of major dimensions.

For too long, the rural-urban migration has been overlooked. In recent years, it began to gain wide public attention as millions of rural people, often untrained and ill-prepared to cope with city life, crowded into metropolitan areas in search of jobs. It is a cruel paradox that the technology which has made it possible for American people to be the best fed people in the world has also at the same time destroyed the livelihoods of millions of farmers and people who were employed in farm-related businesses.

Many of the problems plaguing our major cities are in large part attributable to the influx of these nearly 25 million rural people during the last two-and-a-half decades. Violence, pollution, traffic jams, bad housing, burgeoning welfare rolls, and a host of other human miseries are some of the manifestations of this unplanned exodus from rural America.

The effects on hundreds of small towns are also readily visible in boarded-up store fronts, abandoned houses, dilapidated schools, disappearing job opportunities, and deteriorating services and institutions.

Still, the flow of humanity from countryside to city continues, though perhaps at a lower rate than previously. The 1970 census reveals that nearly as many counties—approximately 1,500—lost population in the 1960's as did in the 1950's. One leading demographer points to the high fertility rate and the large number of younger people now living in economically depressed rural areas as a potential for future waves of substantial migration.

Already 70 percent of the population lives on about 2 percent of the land. It is predicted that there will be another 100 million U.S. citizens by the year 2000, or soon thereafter, with 70 percent of them living in 12 metropolitan areas, and about 50 percent of the population residing in three giant strip cities.

We frankly hope that these predictions do not prove correct. If they do, in our opinion most of rural America will be reduced to a depopulated wasteland, and at the same time our cities will be rendered unmanageable. The continued outmigration is not only bad for rural America, but bad for the Nation as a whole and, as such does not constitute sensible national policy. But, so long as it is allowed to continue, we can only conclude that it is national policy, and a policy which needs to be changed.

To this end, our association and its member systems have urged for a long time that highest priority be given to solving the grave imbalance between urban and rural America.

At their annual meeting last year, the NRECA membership unanimously adopted a resolution calling for a sound rural-urban balance. The resolution noted:

> The future health and prosperity of the Nation depends upon the solution of the imbalance between rural and urban America. There can be no lasting solution to this imbalance unless social and economic opportunities in rural America are sufficient to not only halt the out-migration to the cities, but to reverse it as well . . .

We believe that most of the people now in rural areas would prefer to stay there, and that millions of metropolitan residents would want to return provided—and this is a big proviso—there were opportunities to make a decent living along with modern community facilities and services. A 1968 Gallup poll revealed that 56 percent of Americans would prefer to live in rural areas, with 18 percent preferring city life and 25 percent the suburbs.

We most strongly endorse the development of a national growth policy—one designed to achieve sound rural-urban balance. Rural electrics have not only supported this in resolutions, but in deeds as well. For many years now, they have been actively engaged in programs aimed at stemming rural out migration.

Since 1961, REA borrowers have helped to establish 4,100 new industries and commercial enterprises resulting in approximately 300,000 new jobs. Moreover, NRECA and its membership, over the years, have actively supported legislation to improve economic opportunities and living conditions in rural areas. Rural electrification, of itself, has been one of the most successful rural development programs in the history of our country. Had there not been an REA program, which has made modern, dependable electricity available in nearly all rural areas, there would be little hope today of achieving a balanced national growth, and I do not think we would be having these hearings today.

During the past 2 years, the rural electrics have played a leading role in the expansion of the rural housing and community facilities programs of the Farmers Home Administration, helping to build into these programs the capability of supplying housing, water, sewer, and other vital community facilities, on the massive scale required.

2. THE DEVELOPMENT OF A NATIONAL RURAL DEVELOPMENT PROGRAM

In regard to the second matter on which the subcommittee has requested our views, we consider a nationwide comprehensive rural development program essential to achieve balanced national growth. Last year, Congress committed itself to such a national rural development program in title IX of the 1970 Agriculture Act when it described a sound balance between rural and urban America as "so essential to the peace, prosperity and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas."

Previously, President Nixon, in a state of the Union message, made a similar commitment when he called for an overall-growth policy that would not only stem the migration to urban centers but reserve it.

Thus the administration and the Congress are firmly on record in support of a national rural development program for the purpose of achieving balanced national growth as an alternative to the present unbalanced, unsound, rampaging urbanization which has already produced so many tragic and undesirable results.

The question, then, it seems to us, is what needs to go into a national development program and how it should be organized and administered to accomplish the objective of balanced growth.

3. REORGANIZATION OF THE DEVELOPMENT OF AGRICULTURE

We do not think that the administration's proposed reorganization plan is a practical or logical approach. Dismembering the Department of Agriculture, as recommended by the administration, and distributing its functions and agencies among four new super departments mainly oriented to urban concerns does not impress us as the best way to develop and administer a national rural development program.

In our opinion, the reorganization plan, combined with the administration's proposed rural revenue sharing, would further fragment and complicate rural development efforts. Reorganization and revenue sharing do not guarantee any improvement in rural development capabilities or effectiveness.

At their annual meeting in February, 1971, the NRECA membership expressed the opinion in a resolution (attached to this statement) that so far as creating efficient rural development machinery was concerned, it would be more logical and practical to reorganize the USDA into an effective rural development department than to disband it as proposed by the administration.

The resolution pointed out that the USDA should be officially assigned the mission of rural development, which we do not think that it has been assigned, for which it is obviously better suited to perform than any other existing or proposed department by virtue of its rural and farm orientation, its knowledge or rural people and its extensive field operations.

Further, the resolution recommended that the agriculture committees of the Senate and House undertake a thorough study for the purpose of devising a nationwide rural development program. This we are happy to see that your committee is doing. And that as part of this study, the resolution recommended that the committees identify the additional missing components that the USDA will require, and determine the extent to which existing USDA components should be expanded, and the changes in USDA structure that will be necessary to insure the success of such a program.

The administration's reorganization plan, as it relates to programs now being administered by the Department of Agriculture, seems to us to raise more questions than it answers.

For instance, the Department of Community Development introduces several new layers of bureaucracy which in our opinion could vastly complicate and slow down the loan applications and loan approvals for rural electric systems. The present REA loan program insures relatively rapid and easy access to the decisionmakers, and even to the administrator. Moreover, rural electrification would be only one of several programs under the jurisdiction of subregional and regional administrators of the Department of Community Development.

How the REA loan program under such an administrative arrangement could be coordinated with the rural electrics' new supplemental financing institution, the National Rural Utilities Cooperative Finance Corporation, is also a major unanswered question. This coordination is relatively simple and uncomplicated under the present REA program.

In regard to the housing and community facilities programs of Farmers Home Administration, other major questions occur. For example, how would the Department of Community Development justify approving direct government housing loans at a favorable interest rate to some individuals, yet deny them to others because of geographic location?

Could not this lead to eventually abolishment of the present FMHA direct loan program which Congress, in its wisdom, recognized as essential to developing housing in rural areas?

We are frankly apprehensive about the proposed reorganization. We think it is likely that USDA programs, when transferred to new super departments, will lose support in the Congress and in the administration. Certainly they will be reduced to a subcabinet status.

Obtaining adequate funding for farm and rural programs would be even more difficult than now. In our opinion, the disadvantages of reorganization relative to the USDA far outweigh the advantages, not only to farm and rural people but to all Americans.

Furthermore, national development, which has as its objective the welfare of all citizens, could be more rapidly and effectively achieved by building on the authorities and delivery systems already in existence in the Department of Agriculture.

It would seem much more practical to expand and restructure the very extensive capabilities for rural development we now have in USDA than to dismantle the machinery and try to fit the pieces, which may not fit very well at all, into new and unproved delivery systems.

The Department of Agriculture presently has most of the necessary components for a national rural development program, such as financing for housing, water, sewer, solid waste disposal, watersheds, farming, recreational facilities, electricity, and telephones. In addition, it has authority to supply technical assistance in most phases of rural development.

By action of Congress during the last 2 years, USDA received authorities which vastly expanded its potentials in housing and community facilities so that now it could, within this decade, replace all of the 3 million substandard rural houses with modern units, as well as finance water and sewer on an equally massive scale.

The single most important "missing" tool in the USDA rural development tool kit is the authority to finance job creating enterprises, and we would agree with Senator Curtis 100 percent that jobs should receive the highest priority in rural development. They are absolutely essential.

A few relatively simple amendments to USDA legislation would supply this essential component, providing the USDA with a rural development capability designed to meet the top priorities of rural revitalization—jobs, housing and community facilities.

Authorities to finance other kinds of community facilities—such as medical centers, community halls, libraries, and fire stations—could very easily be supplied by amendments to existing USDA laws.

The authority for financing industrial and commercial enterprises should permit USDA to participate in loans with community development banks proposed by pending legislation, thus expanding the impact of both sources. None of these bills has yet received action by Congress, but it is possible that one of them may be approved.

And similar authority should be provided to allow USDA to enter into joint financing arrangements with other Federal, state, and local agencies. Such financing should also include facilities related to industrial development through both loans and grants.

With offices and personnel in practically every rural county, plus long experience working with rural people, USDA is much better qualified it seems to us than any other department, existing or proposed, to deliver a rural development program locally.

In keeping with the resolution of our membership, we would hope that this subcommittee will develop the legislation and recommendations which will supply the few missing parts to the USDA's rural development capability in addition to the structural changes that will enable the department to effectively discharge that capability. This, it seems to us, is a practical proposal with a greater chance of success than the plan which the administration sponsors.

4. SPECIAL RURAL REVENUE SHARING

While we would agree with the objectives of the administration's special rural revenue sharing proposal, we do not believe that the plan could achieve those objectives. More likely, it seems to us, the proposal would be a serious setback to rural development.

The proposal would abolish several valuable programs including Appalachian Regional Commission, title V Regional Commissions, FMHA water and sewer grants, and others. Whether or not the States would continue these programs, or could continue them on the present scale, is very uncertain. With no maintenance of effort required on the part of the recipients, revenue sharing might well result in less money going into rural development than at present. Moreover, states would be permitted we understand to use the funds for matching share requirements in categorical grant programs not included in the rural revenue sharing package. Also we understand they would also be allowed to use the shared funds to reduce taxes. There certainly would be a strong temptation for States, already overburdened with demands for funds, to use shared money for matching requirements and tax reduction.

With the exception of a relatively small amount of new money—$179 million—the $1.1 billion rural revenue sharing package is obtained by abolishing existing Federal programs and distributing the proceeds to the States.

However, since the introduction of the revenue-sharing legislation, actions by the administration and Congress have reduced the $1.1 billion that would be available for transfer to the States to a little more than $400 million by our calculations.

Recently Congress voted to extend the Appalachian Regional Commission, title V Regional Commissions and the Economic Development Administration. This action would eliminate $543 million from the rural revenue-sharing total. In addition, the administration has earmarked the $149 million originally taken from the cooperative extension service for continuation of that program at the 1971 level. Subtracting the totals for these four programs leaves about $400 million of shared funds over which the States would have control. We do not think this is a very significant amount compared to the enormity of the needs for rural renewal in the 50 States.

Despite the fact that the legislation (S. 1612) would guarantee the continuation of the extension service, it could seriously weaken the effectiveness of one of the most succeesful Federal-State-local governmental partnerships ever developed. The educational functions performed by the cooperative extension service are a tremendously valuable asset in overall community development. They should be strengthened, not weakened in our opinion.

The inclusion of Farmers Home Administration water and sewer grant funds—$42 million—in the revenue sharing package is particularly ill advised. In about 70 percent of FMHA loans for waste disposal systems and 30 percent for water systems during the last 5 years, grants were required to make the projects feasible. FMHA no longer have jurisdiction over grant money.

Whether applicants would be able to obtain grants from the shared funds controlled by the States is not clear. Even if they were able, this would certainly produce more redtape than at present when the applicant obtains both the loan and grant from a single source. The $42 million, even assuming the States used all of it for grants, would only support a $160 million insured loan program next year. This is $140 million less than the administration recently approved for FMHA in fiscal 1972. With a $12 billion need for water and sewer facilities in rural areas, a realistic annual program level would be $750 million in loans and $250 million in grants.

In summary, we would oppose this legislation as well as the reorganization proposal as related to the Department of Agriculture. Instead, we would recommend expanding the capability of the USDA to carry out a comprehensive, nationwide rural development program designed to correct the present imbalance between rural and urban America for the benefit of all our citizens.

That concludes my statement, Mr. Chairman.

I would be happy to answer any questions. Also, I have given to the members of the committee a summary of our recommendations which perhaps some of you would like to question me about.

Senator HUMPHREY. We should include those, I believe in the record, along with the resolution.

Do you have a copy of your resolution of the meeting in February?

Mr. MURRAY. Yes, it is attached to the statement. I think the reporter has it.

Senator HUMPHREY. We shall include that as part of your testimony.

Mr. MURRAY. Thank you, Senator.

(The documents are as follows:)

Summary of Recommendations for a National Rural Development Program by the National Rural Electric Cooperative Association

1. Assign mission and responsibility for a nationwide rural development program to the Department of Agriculture including responsibility for coordination with other Federal agencies and with state and local organizations.

2. Change name of the Department of Agriculture to more clearly reflect this mission; such as the "Department of Agriculture and Rural Development" or the "Department of Rural Development."

3. Restructure the Department by creating two subdepartments headed by undersecretaries, one for agricultural matters and one for rural development.

4. Change the name of the Farmers Home Administration to something more indicative of its broad authorities and primary responsibilities in rural community development; such as the "Rural Credit Administration."

5. Establish rural development goals in order to measure progress.

6. Expand existing rural development components in the Department of Agriculture in keeping with goals.

7. Provide Department of Agriculture with authority to fund multi-county planning districts, including funding for staff.

8. Provide Department of Agriculture with additional authorities, including the authority to finance job-creating enterprises including related facilities, which would require the following technical amendments to existing legislation—Consolidated Farmers Home Act of 1961:

(a) Elimination of present grant ceilings, both for construction and planning of community facilities.

(b) Expansion of the kinds of community facility projects for which planning and construction grants can be used.

(c) Increase the population limit of rural areas eligible for FmHA assistance from 5,500 to 10,000 so as to be consistent with the authority Congress gave FmHA last year to make housing loans in rural areas up to 10,000 population.

(d)[1] Increase the present $100,000,000 ceiling on the Agricultural Credit Insurance Fund to $500,000,000.

(e)[1] Increase the maximum loan and grant for water and waste disposal projects from $4,000,000 to $10,000,000.

(f) Extend the deadline for completion of comprehensive plans required as part of community facility projects from the present deadline October 1, 1971 to October 1, 1973.

(g) Change type of bonding now required for FmHA employees from faithful performance of duties bonds to fidelity bonds. Present bonding is an important inhibiting factor in the delivery of FmHA programs, since it holds FmHA employees financially liable for losses resulting from procedural errors or errors of inadvertence as well as losses caused by fraud or dishonesty. Fidelity bonds would protect the government against losses from fraud or dishonesty, while removing the requirement for imposing fiscal penalties on employees for technical, procedural or inadvertent errors.

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[1] (S.1806, passed recently by the Senate, provides for these changes.)

RESOLUTION ADOPTED AT THE ANNUAL MEETING OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION, FEBRUARY 13, 1971, DALLAS, TEXAS

Whereas, while efficiency in government is highly desirable, there is no guarantee that dismembering the Department of Agriculture, as recommended by the Administration, and distributing the pieces among a few super departments mainly oriented to urban concerns is going to insure greater efficiency, and

Whereas, the Department of Agriculture has never officially been given the overall responsibility for the mission of rural development which it is obviously better suited to perform than any other existing or proposed department by virtue of its rural and farm orientation, its knowledge of rural people and its extensive local field operations, and

Whereas, in our judgment it would be more logical and practical to reorganize the USDA into an effective rural development department than to disband it as proposed by the Administration; now, therefore, be it

Resolved, That we recommend that the Agriculture Committees of the Senate and House immediately launch a thorough study for the purpose of devising a comprehensive, nationwide rural development program to be undertaken by the Department of Agriculture, identifying the additional components that the USDA will require and the components now existing which require expansion, and the changes or innovations in existing USDA that will be necessary to insure success.

Senator HUMPHREY. Senator Curtis, would you like to open up on the question of—Senator Dole has arrived and he has a statement. Would you like to make your statement?

Senator DOLE. I would like permission to have it inserted in the record following statements by other members of the subcommittee.

Senator HUMPHREY. Indeed. We will include it in the record.

(For statement, see p. 53.)

Senator HUMPHREY. Senator Curtis?

Senator CURTIS. Referring to your statement on page 10 near the bottom of the page, you state:

> The single more important missing tool in the USDA rural development kit is the authority to finance job creating enterprises.

What kind of financing program would you recommend, Mr. Murray?

Mr. MURRAY. It is hard to say, to give the specifics, but it would be a program that would help finance new plants, factories, other commercial enterprises that would provide jobs for rural people.

Farmers Home has similar authority to make loans for water, sewer, and some other things, but what specific kinds of commercial enterprises this is, is something I am not prepared to say.

Senator CURTIS. Would you make loans to manufacturing companies that said they would establish a plant?

Mr. MURRAY. Yes.

Senator CURTIS. I think it is well at this point that we look to an apparatus that has worked very well in this regard. I refer to tax-free industrial development bonds used by our States.

In my State of Nebraska there are many rural areas that have not been successful yet. On the other hand, there are many of our country towns, where additional industry has been obtained. In quite a few of those instances—the local units of government have bonded themselves to build a facility, they then lease it to the industry over a long period of time in order to recoup their costs. This program was used in many States very successfully. I am told that in Mississippi where the program started it has brought many job-producing enterprises in areas were there was considerable poverty, in areas where many of our blacks needed an opportunity for employment.

During the Johnson administration—I do not recall just what year—the Treasury Department brought that program to a halt by a ruling that those bonds were no longer tax free. The finance committee acted favorably upon a proposal that I offered that restored the tax-free status of those bonds. When it went to the floor, however, we faced another attack. This one was somewhat unexpected. There was a proposal offered which would by statute eliminate these tax free industrial development bonds. Much to our surprise, we lost it, the proposal carried and it carried because of the very intensive action by a few large unions.

They were opposed to a dispersal of industry into the rural areas and their lobbyists were just as thick as flies around here buttonholing everybody and we lost the vote.

Since then it has been brought up a time or two and the tax-free industrial bonds have been restored but only in a limited way. They ought to be restored at least to an amount of a limit of $10 million. This program has enabled local people to finance something that has resulted in jobs in rural areas. I know in my own State the program has been well run. One or two projects have had difficulties, but there is always some business having difficulty. But most of them have proven successful.

Do you have an opinion as to whether or not tax-free industrial development bonds could be used to a greater degree than they are now?

Mr. MURRAY. I, too, do not recall the details of what happened, but I thought that there was a $1 million limit put on them.

Senator CURTIS. Yes, we had to accept that after we lost the battle on the floor. The only way we could get reinstated was to accept a $1 million limitation. And then it was later raised to $5 million. The present urging is that in light of present-day costs that this limit ought to be raised at least to $10 million.

We were put out of business. I say "we," the advocates of industrial development bonds largely by a few of the larger unions.

I think they ought to take another look at it.

Mr. MURRAY. It is true that in the beginning the tax-exempt industrial bonds gave many States quite an advantage and it resulted in attracting quite a bit of industry. But then many States passed legislation authorizing them. So the advantage more or less disappeared. But they did produce a great number of jobs, but I do not think that this would be a substitute from what we are recommending. We need a whole lot of sources of financing.

There is a lot of talk about community development banks, but probably what would happen is that since these community development banks have to make money, after a while they get worried about risks, and these industrial projects in rural areas are usually rather risky.

If you could combine a bank loan with a loan from a Federal agency with the the Federal agency willing to take second position or take the soft part of the loan I think you would get more loans from the banks more and produce a lot more capital for rural industrial development.

Senator CURTIS. You do not have an opinion as to whether or not this limit should be raised to $10 million?

Mr. MURRAY. I had not heard, is it $5 million now?

Senator CURTIS. I think that is the figure now, yes.

Mr. MURRAY. I do not really have an opinion that it should be raised to $10 million. It would be my personal view that unless there were many projects which had been turned down and could not go because of this limit, then maybe they should take another look at it. But $5 million is a sizable amount and it should provide a great number of factories and other kinds of commercial establishments.

Senator CURTIS. Well, the limitation, works out in a very harsh manner. For instance, they could not permit a concern that wanted to build a very large plant to have the $5 milion in tax-exempt bonds and then finance the rest of it another way, because that would not help small business. So consequently, in order to qualify to come within the $5 million limit, they measured it by the fact that over a period of years—I believe it is 3—there was to be no expansion of facilities in excess of $500 million, including what they built then. If a company finds it is necessary to expand they have violated the condition as of a previous bond issue and retroactively those bonds would become passive. Just boxed them in, they do not have elbow room at all.

This program is a workable program. It is not weighed down with Federal red tape. It costs the Federal Government nothing. It adds nothing to the national debt. It is a use of the local credit to promote local industry.

That is all, Mr. Chairman.

Senator HUMPHREY. Senator Bellmon?

Senator BELLMON. I have no further questions, Mr. Chairman.

Senator HUMPHREY. You mentioned your views on the departmental reorganization, Mr. Murray. If the Department of Agriculture were reorganized into a combined farm and rural development department would you think—this by the way is another proposal which has been advanced—would you think it desirable or undesirable to combine the REA loan program with the water, sewer, waste disposal and other community facility loan programs that now exist or might be added? I mention this because you may recall that when he first proposed it Senator Aiken suggested putting the water and waste disposal program in REA when he began his pioneer work that brought about the enactment of the original solid waste disposal legislation.

This does not mean the administration's reorganization program. This would be upgrading, so to speak, the Department of Agriculture into farm and rural development and putting all the community facility loan programs in REA.

Mr. MURRAY. Well, I believe we are talking about structure.

Senator HUMPHREY. Yes.

Mr. MURRAY. And certainly under the proposals that we make we would be suggesting that there be at least two subdepartments: one which had to do with rural development activities of the department, and the other which had to do with the agricultural matters.

Under the rural development subdepartment, which we recommend an under secretary be in charge of, these agencies would certainly be grouped together.

Whether REA would have to lose its identification does not seem to me a necessary part of such an re-organization.

I would think that many of our members, because of their long association with REA, feeling that they had immediate access and long working relations with REA, would not support doing away with REA and putting it into another agency.

Senator HUMPHREY. There have been some discussions, as you know, of a so-called rural development bank to try to expand the credit facilities relating to rural America over and beyond the present Farmers Home Administration and Federal Land Bank. Has your organization given any thought to that type of structure?

Mr. MURRAY. Well, we generally supported Senator Pierson's concept, his rural development bank which is a good one. It has many fine features. But it has been our observation that few of these bills have much chance of going any place, particularly a bank that is rural.

There have been many urban banks and presently there are proposals for banks that would be mainly to assist urban areas. I do not think that the rural areas have enough muscle to get a bank of the kind that Senator Pierson——

Sentor HUMPHREY. Let us say we did have enough muscle, what would you say?

Mr. MURRAY. I think it would have to include the urban areas. I think you emphasized very effectively in your June 2 speech that one of our problems we have is rural urban competition. We have got to get rid of this. I agree with you.

But I say if we had one——

Senator HUMPHREY. I mean if it looked as if we could get such legislation what would be the view?

Mr. MURRAY. We would support it.

Senator HUMPHREY. You feel this kind of additional financing is required?

Mr. MURRAY. That is right. It is like good health, you cannot have too much of it.

Senator HUMPHREY. There is a difference between a bank operation and loans that are made year by year out of the appropriations made by the Congress of the United States. The bank operation would have funded capital, capital stock, and voting authority as compared to congressional appropriations just made on a fiscal year basis.

Mr. MURRAY. Yes, I recognize this, and I also would point out that the legislation under which Farmers Home operates is much like a bank. It does not require appropriations from Congress.

It goes to the money markets which are located in the big cities bringing that money out into rural areas. So in a sense the Farmers Home program for housing, for water and sewer, is a banking operation. Congress does not have to appropriate for it. The paper which Farmers Home gets from the borrower is sold on the market and the money is distributed in the rural areas. So you have this banking mechanism already established, and over the years it has proved very successful.

Senator HUMPHREY. We thank you very much, Mr. Murray, for your counsel and advice and particularly for the cooperation of the NRECA. Thank you.

Mr. MURRAY. Thank you very much.

Senator HUMPHREY. Our next witness is Mr. John S. Wilder, president of the National Association of Conservation Districts.

Mr. Wilder, we welcome you.

STATEMENT OF JOHN S. WILDER, PRESIDENT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS, SOMERVILLE, TENN.

Mr. WILDER. Mr. Chairman, members of the committee, it is a privilege for me to be here.

I am John S. Wilder. I am from Fayette County, Tenn. I am a soil conservation district supervisor from that county.

That particular county happens to be one of the low-income counties of the Nation and one which has been characterized as somewhat in social turmoil, tense city and so forth.

I am a member of the county court of that county. I am speaker of the Senate and Lieutenant Governor of Tennessee.

Senator HUMPHREY. You have quite an array of responsibilitiies there, Mr. Wilder. I wish you well.

Mr. WILDER. Thank you.

I am here today as president of the National Soil Conservation District.

My association certainly appreciates the opportunity to appear here. It is composed of some 3,021 legal entities of government in the 50 States, Puerto Rico, and the Virgin Islands. These legal entities of government are managed by some 18,000 soil conservation district supervisors as governmental officials.

I realize how precious the time of this committee is, so I will not go into a lot of detail about how awful rural America has become in a land of plenty.

The mechanization and industrialization of agriculture and the resulting migration of rural people to the cities is, of course, well documented. This migration has left the rural areas with diminished services of every kind.

There is evidence that the people of this Nation are ready to do something about this problem. Many no longer accept the idea that growth—in and of itself—is progress. The concentration of our population in a few mammoth metropolitan areas, and the congestion and pollution that results, are no longer considered inevitable. People are becoming convinced that the overall quality of life in this country, in both urban and rural areas, is decreasing.

The fundamental facts of this situation, of course, are the growth of population and its distribution. It is possible, no doubt, to calculate just how many people the resources of this Nation can support with a good standard of living. It can probably also be calculated at what density of population we can live in a manner that meets the expectations of our citizens.

We need a national growth policy that is founded on calculations of this kind. We also need a national land use policy that sets forth those areas best suited to agriculture, urban development, recreation, open space, timber production, public facilities, transportation, and industrial development; and the conditions under which such uses are considered acceptable. Growth policy and land policy are inseparable.

This country needs to take one further step. This is to take deliberate action, within the limits of the policies suggested above, to reduce further migration to the cities by encouraging the development of new centers of population in appropriate uncongested locations and upgrading the quality of life in what may always be expected to remain essentially rural areas.

In my testimony this afternoon, I would like to concentrate on this latter point; the improvement of life in rural areas.

The necessity of meeting urgent human needs in depressed rural communities has led us to funnel certain State and national resources into grants and programs for education, water and sewer systems, income supplements, public health, and other essential services. Obviously, such efforts to maintain and upgrade social services need to be continued and expanded. But just as obviously, it seems to me, we cannot continue—over the long run—to prop up rural areas and communities that have no vitality of their own.

Our association believes that if rural development is to succeed over the years ahead it must be based on the creation of employment through the wise utilization of the resources that exist in these areas. Jobs and income, and consequent tax revenues, are at the heart of sustained physical development and social services in rural areas. To continue forever to provide supplements to rural areas is to treat them as welfare cases.

Now can we concentrate on employment and resources development in these areas? First, we need to be sure that the rich don't get richer, and the poor poorer. We need to determine those areas most in need of assistance and focus on them, rather than simply allowing those areas most successful in creating employment to grow larger, leaving the poorer ones further behind.

Jobs are the reason people move out of rural areas to the cities. Indeed, they are the primary reason why anybody goes anywhere. Jobs in rural America can be created by upgrading agriculture, which is the fundamental business and job-generating activity in these areas; encouraging industrial development; stimulating tourism and recreation; and providing public employment.

There are three kinds of programs already under way in this Nation, and with which our conservation districts are intimately associated, which should be at the core of an expanded and more effective rural development process in the United States. They are upstream watershed projects, resource conservation and development projects, and river basin planning and development.

There are over 1,000 upstream watershed projects underway across America. They prevent floods which would otherwise damage crops, small towns, and businesses. They provide water for municipal use, recreation, and industries. They prevent erosion, increase farm income, and enhance natural beauty.

Construction of reservoirs and other structures in these programs has already provided 19,000 man-years of employment. Small local contractors handle much of this work. Their expenditures for gas and oil, concrete, seed and fertilizer, and other supplies have a significant impact in rural communities.

By 1970, 57,000 new jobs had been created through expansion of established industries in watershed projects and the arrival of new ones made possible by the flood protection and water supplies provided. Over five million visitor days of recreation have resulted, further improving local economies.

In addition to the 1,000 projects already sponsored by conservation districts and municipal governments, with assistance from USDA and State agencies, there are an additional 2,000 projects for which applications have been made. And there are another 6,000 projects that are potentially feasible under existing standards.

Resource Conservation and Development Projects are sponsored under the 1962 Food and Agriculture Act. The purpose of these projects, and there are 70 in operation, is to plan the use of soil, water, forest, recreational, and other natural resources for economic improvement on a multicounty basis. New ways to utilize and process agricultural products are developed. New crops with better markets are recommended and grown. Timber utilization industries are expanded. Water supplies are developed, and new industries attracted. Social and educational services are upgraded. Tourist and recreation opportunities are exploited. New parks and hunting and fishing areas are opened.

This is true rural development because it uses the unique resources available to the community on the basis of a comprehensive plan that is put to work, not laid on a shelf.

River basin planning, which integrates watershed projects, R.C. & D. projects, and other economic development work into a comprehensive whole, ties together such programs into a system that meets regional needs on a much larger scale. Such work needs further support, but we cannot emphasize it at the expense of the programs that meet day-to-day problems of people at the farm and local community level.

It may be more glamorous to set forth wholly new ideas for generating rural growth, but we are convinced that the concept of these programs is sound, and that their acceleration will be highly effective.

Laws, funds, programs, and policies are of no use without leadership and social organization. The members of this committee are familiar with the network of conservation districts that exists throughout this Nation. These districts are no longer simply erosion control districts as they were in the late 1930's. And they no longer work exclusively with the Department of Agriculture in providing services to local landowners and communities.

Today's conservation districts are more representative of all the people in their communities, both rural and urban. They plan and help to carry out a wide variety of programs designed to use natural resources more efficiently. They sponsor watershed projects, resources conservation and development projects, and sediment control programs. They assist with recreation, fish and wildlife enhancement, and forestry developments. They work with a great number of Federal, State, and local environmental, agricultural, planning, and economic development agencies.

In areas of rapid urban growth, they have formed regional associations to coordinate resource work. These have been formed in the Chicago, Minneapolis, southeastern Wisconsin, Upper Great Lakes, central Nevada, San Francisco Bay, and Indianapolis areas, among others.

In recent years, State legislatures have enacted over 100 new laws giving districts wider responsibilities for resource development. They have provided, as have county governments, additional funds to carry out their work. The Congress has recognized their growing capabilities, giving them additional responsibilities in the extended Great Plains Conservation program and the new Water Bank program.

It is our view that conservation districts, if given additional funds and responsibilities, can provide the sorely needed leadership and coordination for rural development throughout the Nation at the local level. They are subdivisions of State government, they include virtually every acre of land in the Nation, and they are recognized for their dedication to the principles of scientific land use planning and bipartisan action.

NACD commends your committee for its interest in this important subject, and appreciates this opportunity to present our views.

Let me say that I stand ready to answer any questions. Senator Curtis has some questions relative to bonds in the county of Fayette. I have been not only president of NACD, but I have been directly involved in much of the activity in industrial development, loans and that type activity. I stand ready to answer any questions that I might answer, Mr. Chairman, that you might have.

Senator **Humphrey**. We surely want to thank you, Mr. Wilder, for your very informative testimony. I must say that I found it most informative, never realizing that the soil conservation districts were so broadly involved in so many rural development activities, and am particularly impressed with the urban rural cooperation that you brought out in the latter part of your testimony.

Let me turn first to my colleague here, Senator Curtis, and then to Senator Bellmon for any questions that they may have.

Senator Curtis?

Senator **Curtis**. Mr. Wilder, we appreciate your comments very much.

Referring to the water projects, you are speaking of those that are built under the Small Watersheds Act?

Mr. **Wilder**. 566, yes, sir.

Senator **Curtis**. That was enacted back in the fifties?

Mr. **Wilder**. 1954, sir.

Senator **Curtis**. 1954.

Now, in reference to industrial bonds, your State has used those tax-free, industrial bonds?

Mr. **Wilder.** My State, Senator Curtis, has tax-free industrial bonds. I practice law in a small town. I am the attorney for the Industrial Development Board. I have had some five or six of these projects. The largest one was a $6 million project, a frozen food plant, was an EDA loan with the funded 20 percent finance with industrial development bond $6 million plant, $1,200,000 first mortgage bond, tax exempt, March 15 of 1960, whatever year it was when the ruling was set. These bonds—it was permit of purchase made on these first mortgage. When the Internal Revenue Service indicated the ruling it anticipated making, there was a withdrawal, it was not time to replace these bonds. In that particular case they had to pay some $50,000, $60,000 more to replace the bonds, not knowing the tax-exempt status.

I strongly favor the tax-exempt status of these bonds coming from one of the lowest-income counties in the Nation, the fourth.

I think that the income lost from the bonds is not to be compared at all with the income received from the earnings of the employment created by the development of these bonds. I think that it is a loss to the Federal Government rather than a gain.

Senator **Curtis.** Well, I agree with you. I think that in many instances it is no loss at all because the structure would not be built if it were not for the tax-free status. So without the activity there would not be any gain.

Do you feel that the present limit should be raised?

Mr. **Wilder.** I do, yes, sir.

Senator **Curtis.** I do not want to take too much time, but from your practical experience has this method of local political subdivisions being able to issue tax-free industrial bonds actually brought jobs to the area in which you are familiar?

Mr. **Wilder.** Yes, sir. In my county of Fayette—and now I am testifying as a citizen of Fayette County and not as a president of NACD—but in my county it had a population of 35,000 people in 1940. It has a population of 22,000 now. It has 600 high school graduates a year, 400 of whom have to leave the county to find jobs each year.

In my senatorial district there has been 4,000 lost in population in the last 10 years. But this county loses most of it. We have used tax-exempt bonds in three instances to create jobs, part of which were poor faith in credit bonds, two industries—those two industries giving employment to 1,100 people.

Senator **Curtis.** What was that number of people, what kind of work did they perform?

Mr. **Wilder.** One of them is a bicycle seat manufacturer and the other is a clothing manufacturer, 1,100 jobs. One of the industries—both of these are tax-exempt bonds.

The total cost of the two industries, one is $500,000 that gives 500 jobs and the other one was $346,000—now we are in the lower brackets now—that gave these many jobs.

The last industry which I gave, that is a $6 million industry that would not be there without the front end revenue-exempt bonds, could not be there—that gives employment to some 400 people in the plant, but some 4,000 people out in the field producing vegetables to sell.

Senator CURTIS. That is all I have.

Thank you very much.

Senator HUMPHREY. Senator Bellmon?

Senator BELLMON. Thank you, Mr. Chairman.

Pursuing this matter of revenue bonds just a little further, I think the incident that caused the Treasury to change the way they handled these tax-exempt bonds may have happened in Oklahoma. The Uniroyal Co. came to our State, a rubber company, and built a plant which as I remember cost more than $30 million in a city of probably 40,000 or so people, and financed it totally with revenue bonds.

The communty it went to was not a low-income community, it is an oil community. That produced somewhat of an outcry from the two existing rubber plants we had in our State. They felt that they were paying the full interest rate on their financing, they were paying full taxes on their plant, while the new Uniroyal plant because of the bonds were tax free for a year and I think in the long run this incident caused the ruling to be changed.

How do we get away from this kind of situation? Uniroyal is not a struggling company. The existing industries that we have feel that when this sort of thing happens they are unduly burdened with costs of maintaining community services and the community that was helped, of course, very much appreciated help but it is not one that can be looked upon as a particularly backward community.

Mr. WILDER. The question how do you get away from a proposition where one area is favored over another or one industry is favored over another, and that is a hard question. Certainly it should be uniform nationwide.

Senator BELLMON. Do you think that we could write out a ruling that would say these revenue bonds are available in underdeveloped rural communities below certain population level or certain population density?

Mr. WILDER. I think that the depressed areas of this Nation need some advantage over the exploded areas of this Nation. I think—for instance, San Francisco says they need more water, but they may need less people. I think there need to be incentive, initiative, monetary reasons to cause disbursements. The depressed areas must have an advantage, there must be a reason for something to happen there.

It is not easy to detonate action in these areas unless an economic advantage for something to happen will not happen. So I think there is justification in it and I think it would result in the good of the Nation.

Senator BELLMON. Mr. Chairman, I just have one additional question.

On page 2 of your statement you say development of new centers of population in appropriate uncongested locations is one of the things we need. Now, how do you propose we go about creating the economic activity of jobs in these new centers of population that it is going to take to make them viable?

Mr. WILDER. I strongly urge you to keep on doing some of the things that are already being done and to do more of them. I have said that we needed the resource development. I have talked about watershed and flood prevention and the water resources that go along with this, the jobs, the recreation and the industrial growth that follows this, the enhanced environment, having had this resource development. The industrial growth and all the growth that goes with it.

I think it is very important that money not be a limiting factor. Money tends to limit us. Our inability to manage the value of money limits us. We—and I am taking too much of your time—we have the ability, we have the resources, we have the initiative, we have the incentive, we have the skill, we have the energy to produce, we can produce an overabundance. We always have had that ability. This is what makes us great, the ability to produce, to produce an overabundance.

Our inability to manage money limits us, the value of money, money limits us, there is a need for 2,000 watersheds, the future will need this water. We have the machinery, we have the skill, we have the manpower, this is an example, and there are many others like this, but we cannot do it because we do not have the money.

These rural depressed areas need credit, need money, need funds available to detonate development.

Now, if done and done properly it should be an asset. The loans which you have made, the EEA, Small Business, the watershed development, the Farmers Home Administration, all of these things put together collectively have made a difference in rural America.

Senator **Bellmon**. Mr. Chairman, no other questions at this time.

Senator **Humphrey**. Thank you.

Mr. **Wilder**. Thank you.

Senator **Humphrey**. I have just one point here, Mr. Wilder.

As you know, some of the people that are deeply interested in environmental control, we call them the environmentalists or ecologists, have expressed concern that the aims of good, wholesome environment and the aims of rural development are in part incompatible. In other words, they just do not add up. In other words, looking at your organization, you have spent a great deal of time on conservation and better and wiser use of our resources over the past three or four decades, and particularly those renewal resources like soil and water and forest.

I wondered if you had any further thoughts that you would like to share with us on how the goals for conservation of resources and the goals for more rapid economic development and rural industrialization can be reconciled?

Mr. **Wilder**. Mr. Chairman, I am glad you asked that question, because I do not think that two philosophies, the philosophy of a preservationist and a conservationist are totally incompatible.

Soil conservation districts have long been dedicated to proper utilization of resources to use every acre of land to the highest and best use, to putting it to its highest use.

Now, there is much controversy today over channelization, for instance, in 566 watershed. There are those who oppose channelization per se. There are those who say that channelization is necessary to get production, food production, that we cannot live on Indian corn, that our society must have a productive agriculture, that man is creative more than he is destructive, that we have done more good with our environment than we have done bad. That is that thought. These two have a place together.

There is a place for a wilderness area, but there is also the necessity of producing. Farmers have produced, industry has produced. We have all produced. We enjoy the good life. A life of plenty.

It is our position that what we should do is to put those acres to their highest and best use. Now, that means some of them will go to recreation, some will go to wilderness, some will go to other purposes. But we are not preservationists, we are conservationists. I do not believe I answered your question. I talked it all around. If you ask that question again, Senator——

Senator HUMPHREY. Here we are trying to protect our land resources, our water resources, our air resources, of course this is one of the blessings of the countryside as we say. It is always not quite true that way, but we indicate the clean air is out there, the countryside, the clean water and the good earth.

Now we come along and say we want rural development which is in a sense we want growth in rural communities, we want jobs which means you either have investment which you have indicated here and you get industrialization. Do you see any conflict of interest here between what is the avowed desire of your organization, your conservation organization as compared to the proposals that you make in term of economic development?

Mr. WILDER. No, sir. I do not see conflicts. I hear the loud cry of people. I hear the alarmists. I hear this kind of thing. But I think that we must move forward with further production, with moving out into rural areas and developing those areas and not be crowded in cities piled up on each other.

Senator HUMPHREY. I am going to ask a member of the staff to submit to you a couple of other questions that we will ask in due time that you can give us some advice and counsel on. You mentioned, for example, something about my home State of Minnesota, particularly Minneapolis. We in Minnesota have been very active and interested in pushing forward with resource conservation and development projects. Hopefully, somewhere along the line you might be able to provide for this record a summary of the resource conservation development projects that have been undertaken, not only in my State, but a reasonably good sample across the country and indicate both the plans and suggestions you have made as well as some of the frustrations you have run into, because I think the conservation resource development projects fit into—fit very well into what we call rural development, your testimony exemplified that pointing out what has happened in recreation and tourism and many other things that we do not think of as rural development. Nevertheless it fits into the pattern.

I will get a little letter off to you and we will ask you in your role as the president of the conservation districts to give us your advice.

Mr. WILDER. We will do that.

Gentlemen, I appreciate the opportunity to be before you.

Senator HUMPHREY. Thank you very much, and we appreciate the time that you have taken to put together some very valuable testimony for us.

Mr. WILDER. Thank you.

(The information submitted for the record is as follows:)

SOMERVILLE, TENN., *July 30, 1971.*

Hon. HUBERT H. HUMPHREY,
Chairman, Subcommittee on Rural Development, Senate Committee on Agriculture and Forestry, Old Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: On June 16 I appeared before your Subcommittee to testify in behalf of the National Association of Conservation Districts on the subject of rural development. In the exchange that followed my opening statement you invited us to provide for the hearing record some of our observations and evaluations of Resource Conservation and Development projects.

These projects derive from Section 102 of the Food and Agriculture Act of 1962 in which the Congress authorized the Secretary of Agriculture to cooperate with federal, state, territorial, and other public agencies in developing plans for a program of land conservation and land utilization. In implementing this authority, the Secretary of Agriculture determined it would be carried out on a project basis in a manner that would enable local people to initiate and follow through with a broad-gauged approach to resource conservtion and development.

Since initiation of the program, conservation districts have been privileged to cooperate with state and local governments in sponsoring the 78 projects which are now underway.

In addition, conservation districts have joined with other units of state and local government in sponsoring the 68 applications for Resource Conservation and Development (RC & D) Program assistance which have been filed with the U.S. Department of Agriculture. These have not yet been authorized for program assistance.

In an appraisal of what has been happening in the RC & D projects now underway, we can identify a number of assets.

1. The emphasis on development of sound land use policies and programs, on the application of soil and water conservation practices, and on the installation of public facilities has helped provide an improved environmental base.

2. There has been widespread citizen involvement in project affairs, coupled with a strengthening of local leadership and more active participation in the important decision-making processes. Local people analyze their problems and opportuniities, evaluate alternative solutions and courses of action, determine their objectives, and organize their resources for community improvement.

3. Resource development has fostered economic development. The projects have stimulated the investment of private funds in new resource-based industries and services. Commercial and industrial concerns have expanded or located enterprises in the project areas. New job opportunities have been created, thereby reducing to some extent the migration of rural people to towns and the strip cities.

4. The consideration of resource and economic development opportunities has been broadened. The projects are sponsored, initiated and operated on a multi-county basis.

5. People in the project areas have been able to enlist the coordinated support of a considerable range of federal, state, and local agencies in planning and carrying forward the RC & D programs.

Along with the accomplishments in the RC & D program, there have been some frustrations. The level of new project starts has not kept pace with the interest of local people in project activities, as evidenced by the rate at which they have submitted applications for assistance.

In the early years of the program, RC & D was apparently regarded as a "pilot program." Only a limited number of starts were authorized each year by the Congress. As you will note from the following table, a total of 73 projects (exclusive of the five Rural Renewal projects transferred to the RC & D program) were authorized over the period of eight years ending with June 30 this year. During that same period unserviced applications increased and there now is a backlog of 68 such applications.

We strongly believe that local people operating in a project type setting have demonstrated their genuine capability to make significant contributions to project and national goals for rural development. We also believe the time has arrived to move the program ahead faster. The recent authorization of 20 new project starts during fiscal year 1972 is a welcome step in the right direction.

In our view, RC & D should be recognized as a regularly-funded program activity administered by the U.S. Department of Agriculture, with annual program starts authorized more nearly in line with the readiness of local people and their agencies to move ahead.

Authorized for program assistance:

Fiscal year—

1963	0
1964	10
1965	0
1966	10
1967	6
1968	15
1969	10
1970	[1] 17
1971	10
Total to July 15, 1971	[1] 78
1972	20

Unserviced applications at end of fiscal year (cumulative):

Fiscal year—

1963	6
1964	9
1965	20
1966	22
1967	29
1968	31
1969	45
1970	53
1971	68
Total to July 15, 1971	68
1972	-----

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[1] Includes 5 former rural renewal projects with the resource conservation and development (R.C. & D.) program, July 1, 1969.

In the interest of rural development, the NACD favors legislation that would provide technical and financial assistance for (1) the development of rural municipal and industrial water facilities and (2) the abatement or control of agricultural related pollutants. Often the storage of water for municipal and industrial purposes can be incorporated in reservoirs being created in project areas for flood prevention, recreation, and other purposes. As all of us know, water supply is a critical factor in encouraging business and industrial enterprises, with their job creation potential, to locate in a community.

Technical and financial assistance to local and state agencies for the control of agricultural related pollutants would also have a beneficial impact. In the case of R.C. & D. projects, such assistance probably should be limited to those situations where the control measures would solve community-wide pollution problems arising from agriculture.

During the exchange of views on June 16 you made reference to the contributions that watershed projects make to rural development, and to the issue that some ecologists have raised regarding channel improvement work in watershed projects. Attached herewith are two items related thereto.

1. Examples of Benefits Resulting From Installed Works of Improvement in Watershed Projects.

2. Testimony of George R. Bagley, Vice President, National Association of Conservation Districts before the Subcommittee on Flood Control—Rivers and Harbors of the Senate Committee on Public Works.

Sincerely,

JOHN S. WILDER.

(The attachments are as follows:)

EXAMPLES OF BENEFITS RESULTING FROM INSTALLED WORKS OF IMPROVEMENT IN WATERSHED PROJECTS

ALABAMA

High Pine Creek

Nine floodwater-retarding structures and 23 miles of channel improvement have been completed. One of the structures is multiple purpose, adding municipal water storage for the city of Roanoke.

The completed works of improvement on High Pine Creek watershed give protection to 3,495 acres of bottomland. The landowners are rapidly developing this land into high-income crops which add greatly to the economic growth of the area.

"It is the greatest thing that has ever happened to my farm," said W. W. Richardson. "I am able to grow crops and grass on 110 acres of bottomland that used to be a mosquito swamp. I have been able to clear unproductive brush, dig ditches, and make general changes on my farm," he continued.

"I am pleased with the results that I have gotten since the work has been completed on the High Pine Creek," W. P. Poor said. He further stated, "My seventy-acre bottomland pasture along the creek was not much good to me. It was often necessary to repair the fences four to five times a year when the floods came. I would not get to graze the fescue pasture when I needed it most because the floods came so often that the grass was covered with mud all through the winter. Now I have a good twelve-month pasture that looks pretty and green all the year."

"I bought this farm four years ago when I saw the dams were going to control the flooding," George Smith said. "It used to flood several times a year but the water has not been out of the banks since the dams above it were built. The forty acres of bottomland along the creek had gotten in bad shape since the former owner got very little out of the land and did not try to improve. I spent $900 clearing off the stumps and brush and digging a good ditch into the creek. I planted it in fescue and clover this fall and think it is going to make a good pasture. All of the farmers up and down the creek are now working on their bottomland, and the land in this section sells better than it used to sell."

The addition of municipal water to one of the structures by the city of Roanoke continues to be influential on the economic growth and full employment of this urabn area. Mayor J. P. Phillips of Roanoke enthusiastically made the following comments about this watershed and its effect on the development of his town:

"Our aim to make Roanoke a better place to live and work when we began with the construction of the watershed dams on High Pine Creek," Mayor J. P. Phillips of Roanoke enthusiastically remarked recently. He continued by saying, "We hope to have our new filter plant completed by January 1, 1971. This will raise our potential to three million gallons of water per day. This will give us a chance to develop our industry more. The new Rolane Manufacturing Company has plans to continue their expansion until they have 800 people working. Hadley Manufacturing Company is running to full capacity. Master Door Company has steadily increased over the years and is running wide open, hiring about everyone they can get. The Ben Franklin Company is building one of the largest stores in Roanoke. We have an unemployment rate of about 3 percent which is about as low as we can get. The bountiful water supply that we have obtained from the multiple purpose lake has solved all our problems for water for the present.

"We quit dumping our raw sewage in High Pine Creek in 1968 when we completed three new lagoons. We do not have to worry about them being flooded since they are constructed in the flood plains protected by the flood-retarding dams on High Pine Creek.

"We are planning for a steady growth of our city and hope that we will be able to offer opportunities for others to move here as well as opportunities for our young people. We think we have a lot of good environment in our section and are constantly receiving requests from men and businesses that would like to locate here."

Pine Barren Creek

Urban and rural landowners were confronted with flooding and poor drainage on the 6,000-acre watershed. This area lies in the Coastal Plains section of south central Alabama. Inadequate channels and outlets were preventing full use of the land in vegetable and other cash crops and were a hindrance to the growth and development of the city of Atmore.

The Chairman of the Escambia County Soil and Water Conservation District reports that more than 5½ miles of individual farm drainage ditches, costing over $13,000, have been installed since the project channel improvements of 30,000 feet were completed. The combination of on-farm and project measures has permitted landowners to more than double the production of cash crops, consisting primarily of potatoes, soybeans, and corn. For example, a yield of approximately 150 bushels of corn per acres was made during 1969 on a 200-acre field that was too wet for even pasture before the project.

Before the project was installed, southeast Atmore lacked an adequate outlet for storm sewers and at least 20 homes were frequently surrounded by water and occasionally flooded. Because the project provided an outlet for the storm sewers, the area no longer floods.

The city is now expanding and growing on land formerly flooded too severely for urban growth. At least 19 homes have been built since excess water is no longer a problem near the channels. Possibly even more significant, a two-story 52-bed hospital and a doctor's office have been constructed in the area that was previously flooded.

ARIZONA

Frye Creek-Stockton Wash

In addition to the more than $825,000 estimated saving from flood damages since the first portion of the project was completed in 1962, other benefits continue to accrue to the communities of Safford and Thatcher.

Sixty-six new homes have been constructed in the once flooded area below the structures. These new homes represent 231 people. A new motel has been constructed employing six people, and plans are being finalized for a 10-acre, multimillion dollar shopping center.

Since floods have been eliminated, the Mountain View Nursing Home has been constructed. This facility serves a great need for the area. The building and equipment are valued at $235,000 and 45 people are employed to operate the home. The home is designed to handle 93 patients and at present is near capacity with 80 residents.

The project enabled the Eastern Arizona College located at Thatcher to expand their facilities nearly 5 times by using land that was frequently flooded prior to project installation. This expansion has enabled the college to more than double its student enrollment from 551 to 1,112. Also the number of employees increased from 39 in 1962 to 98 in 1969. The curriculum of the college has been expanded and updated to meet the growing needs of the community. Cost of the expansion program since 1962 has amounted to more than $1,175,000.

In addition to eliminating flood damage, creating new job opportunities, expanding college facilities, and making available new home sites, the project has offered an ideal site for recreation facilities. Local people have constructed two little league ball parks, a tennis court, and a rodeo arena immediately below two of the floodwater-retarding dams. The downstream slope of the dams is used for seating spectators.

Magma

Stretching for 6 miles through the desert about 45 miles southeast of Phoenix, the long Magma dam protects 11,000 acres of valuable farmland and improvements from flood damage. Since the project was installed in 1964, six major floods have occurred with no damage to land, crops, or improvements.

The estimated benefits from prevention of flood damage are $635,000. This is one quarter of a million dollars more than the dam cost to construct. These benefits accrued during a period of only 5 years.

ARKANSAS

Grady-Gould

A prosperous new bank and an efficient sewer system in the town of Gould are unexpected benefits of the Grady-Gould watershed project which was authorized in 1961 to facilitate water management on 50,560 acres of farmland in southeast Arkansas.

The project consists of a 25-mile-long main ditch and 77 miles of laterals. Also installed are 3,444 feet of pipe drops and 63 road crossings.

Prior to installation of these improvements, Gould residents had to get by with ineffective septic tanks which overflowed during wet weather, according to

Mayor A. L. Butcher. "We tried to put in a sewer system but had to give up. When contractors dug shallow test holes, they refused to bid after seeing how fast water and sand poured into them," Mayor Butcher stated.

After the main and laterals were installed, the groundwater level in Gould dropped several feet. Ditch digging no longer was a problem and Gould residents now enjoy a previously unknown convenience. The new sewer system also eliminated a serious health hazard.

"First State Bank would not be here without the new income potential of watershed producers," says President Howard Holthoff.

Because of extremely high production risks, lending institutions had stopped financing farmers on some 50,000 acres of land. The watershed project prevented total abandonment of this land. Without farm income and taxes paid by watershed producers, both towns of Grady and Gould would have stagnated, the banker said.

Mr. Holthoff said that deposits in his bank have doubled in four years. He also reported land values up 300 percent since 1963 and said that it now is easier to borrow money for purchase of land, even at these increased prices.

The banker said that everyone in the area lives better because of the watershed project. Farm income now is sufficient to meet or exceed minimum wage standards. New construction in the watershed includes twenty homes built by producers and as many new housing units for laborers or tenants. There are also two new rural church buildings and, according to Mr. Holthoff, all of this construction is a direct result of the project.

The banker mentioned a final benefit, "We no longer see Red Cross field units set up to feed and quarter flood victims."

Muddy Fork of Illinois River

Water problems projected a dismal future for two small towns in the scenic Washington County Ozarks. There was too much or too little and either spelled trouble.

Lincoln, population about 1,000, was on the brink of disaster. Industry and homeowners shunned the place while many leading citizens were ready to move away and businesses were closing their doors. The uneasy people of Prairie Grove read their own future in Lincoln's crisis.

The towns bracket the 47,122-acre watershed known as the Muddy Fork of Illinois River. The stream's hair-trigger floods that once boiled out of the Ozark highlands never dampened the doorsteps of Lincoln and Prairie Grove, but downstream floods set in motion programs that breathed new life into the communities.

Now, both towns show all signs of a healthy, growing economy. The ring of hammers signals construction on upward of one million dollars worth of new homes in the past three years. New employment and new payrolls are reflected in a surge of bank deposits—nearly $1.5 million increase in the Bank of Lincoln in three years. New industries are under construction and schools are expanding under a fast-growing tax base.

The Muddy Fork of Illinois River watershed was authorized in 1961 and plans for the multiple-purpose project included four parts:

1. Measures to control erosion and sedimentation, reduce runoff, and increase rural income.
2. Construction of two dams to capture flood-making runoff and release it at a safe controlled rate.
3. Construction of a multiple-purpose dam to provide 2,000,000 gallons of water daily to Lincoln and to further reduce floods.
4. Construction of a fourth dam for flood prevention and fish and wildlife development to be co-sponsored by the Arkansas Game and Fish Commission.

Lincoln's dwindling water supply had to be supplemented with tank trucks as work on the project progressed. Providing an abundance of pure water brought immediate and dramatic results, according to Lincoln banker C. C. Karnes. "This was only about four years ago," Mr. Karnes said, "yet we already have 20 new or expanded businesses. In June of 1963, our bank's assets were $2,891,297. Now they are in excess of $4 million, mostly in new deposits.

"Homebuilding was a dead industry here but since we got our water 70 to 100 new homes have been built. Benefits from the new homes and homeowners spread to building supply houses, furniture and appliance dealers, grocery stores, and a lot of others. Businesses that must have water are not afraid to locate here. For example, we have a new cement mixing plant."

One of the largest industries to be attracted by abundant water and other advantages is a poultry-processing plant currently scheduled for construction. It will initially employ 225 people, with plans to eventually employ 450.

Another index of the town's growth is the Lincoln School District tax assessment. In 1963, it was $2,405,634. Now, it is $3,021,276. The new families have created a need for more school facilities and a $70,000 expansion of the school is underway.

Prairie Grove took a lesson from Lincoln and petitioned watershed sponsors to amend the plan and add municipal water supply to one of the dams near their town before their own water supply became critical. The town agreed to pay their share of the cost to insure future water needs, and construction of the multiple-purpose reservoir which has been completed.

John I. Smith of Fayetteville's First National Bank said, "The expanding benefits of this project are difficult to assess accurately, but we feel they will far exceed early estimates. The improved soil, reduced floods, and abundant water supplies plus the new investor confidence that has brought in new industries, jobs, and payrolls all add up to success for the Muddy Fork of Illinois River watershed project."

CALIFORNIA

Escondido Creek

This project is located in the city of Escondido, San Diego County. Improvements include 7 miles of concrete-lined channel and one 3,200 acre-feet multiple-purpose dam. Approximately 5 miles of the channel and Dixon Dam have been completed to date. The project also has a watershed land treatment program consisting of fire protection measures on the brushland and erosion control practices on the farmland. Construction on this land treatment program was started this past year.

Work plan projections estimated that the flood plain of Escondido and Reidy Creeks would be completely urbanized in 40 years. The influx of people and industry to the area has far exceeded this estimate. The area protected by the completed channel has almost completely developed in the 10 years since the work plan was prepared, and additional construction has been authorized or started adjacent to the remaining channel units in anticipation of their completion at an early date.

Statistics show building construction for the past 2 years in excess of $50 million, providing jobs for hundreds of people both in the construction trades and in staffing the businesses and industries created. Mobile-home parks, apartment houses, and tracts have also been built to house the population increase.

During the years, since the completion of the first channel phases of construction, damages in excess of $5 million resulting from ensuing winters' storms were averted. As construction of the channel continues, even greater damages will be prevented by the control of the flood waters.

Realignment of the channel through land owned by the city has provided room for additional recreational facilities, and a new City Hall and Civic Auditorium which are scheduled for construction in the near future.

For many years the people of Escondido have lived with knowledge that the floods of the past would occur again, and that the small clean-up and damage repair that occurred each winter was a mere trifle to what could happen as the flood plain urbanized. Perhaps the biggest benefit of all then is knowing that if the flood comes, the people can watch it roll through town on concrete, they can use their streets all winter, and generally proceed with business as usual.

Napa River

Three projects have been completed in the Napa River watershed under Public Law 566.

The Tulucay Creek project constructed in the southeast section of the city of Napa has about 3 miles of channel improvement. Since the completion of this project, six new businesses and firms employing about 40 people have been established. Several new homes have been constructed in the area that once flooded to a depth of a foot or more.

The Conn Creek project was constructed near the town of Oakville. This project protects primarily agriculture land planted to premium wine grapes. Since the completion of the project no overflow from Conn Creek has occurred. The reduction of overflow from stream channels is becoming more important with the planting of premium wine grapes. Infestation of Bermuda grass, Johnson grass, Oak root fungus, nematodes, etc., into these plantings are requiring a control cost program of $750 to $1,500 per acre. New planted certified root stock vineyard with irrigation and frost protection, fumigated and drainage improvement is being valued at $5,000 to $7,500 per acre. Prior pasture or hayland was less than half this value.

Tree planting to replace riparian trees along the stream for a wildlife habitat was part of this project. Excellent cover now provides habitat for game animals. The opening and widening of the channel has changed it from a jungle to an excellent hunting area.

Marsh-Kellogg

From the start of construction in 1960 until completion of the twelfth contract in 1970 there have been many planned and some unexpected benefits resulting from the installed works of improvement. Several thousand acres of farming land have been saved from flooding many times during this period. The cropping of much of this land has changed from low value field crops to relatively high value vegetable crops as the flood threat was eliminated.

There are two towns of approximately 4,000 people in this area that are no longer subject to flooding from channel overflow of Marsh Creek. Since elimination of the flooding hazard substantial urban development has occurred in and around these towns. An existing mobile home park has been enlarged and two new mobile home parks have been built. Approximately 150 new homes, a shopping center, bank, several service stations, motel, expanded school facilities, and a senior citizen low income housing complex have been constructed. Construction of these new service facilities have necessarily resulted in additional jobs being created within the community.

Some unplanned benefits have resulted from the construction of these works of improvement. The sponsors of the project and the County Superintendent of Schools have entered into an agreement to use the permanent pool area of the Marsh Creek Dam as an outdoor education classroom combining marine, wildlife, and conservation projects. The local high school Future Farmers of America class will have the responsibility for conservation management of this area. Also, wildlife habitat along the improved stream banks has increased recreational use through hunting by providing protected nesting places for game birds within the intensely cultivated farming areas.

Ulatis Creek

The Ulatis Creek watershed project is 85 percent complete with the construction of 2.3 miles of improved channel this year. Structural measures now include the improvement of 46 miles of floodwater channels, drop and grade stabilization structures and inlet structures to convey local runoff into the channels. The watershed consists of approximately 96,800 acres.

Rainfall during the winter of 1969–70 was normal. Storm intensity and runoff was light and well below the 10 percent event. However, mild temperatures in January melted the snow pack in the Sierras and the resultant flood flows in the Delta coupled with high tides produced flooding conditions in the lower reaches of the watershed. Average annual benefits of approximately $30,000 were realized in this lower unit of the watershed which is protected by 4.1 miles of levee.

In addition, local youth groups from Vacaville, which is located within the watershed, have planted approximately 1,500 plants for wildlife habitat improvement along completed units of channel improvement.

Adobe C[illegible]

This project is located in Lake County, and was completed June 30, 1968. The principal problems were floodwater and sediment damage to high value orchard land and homes in the Big Valley area.

Structural measures include two floodwater-retarding structures. One has 965 acre feet of water for fish and wildlife. 5 miles of stream channel improvement and streambank stabilization. More than 87 percent of all land treatment measures have been applied. Conservation treatment is complete on 18,701 acres in the watershed. The access roads needed for fire protection on the watershed are complete.

Recreational benefits which would not have been possible without the project, were an unexpected development following completion of this PL–566 project. The California Wildlife Conservation Board, in cooperation with the Lake County Flood Control and Water Conservation District, have completed a fishing and hunting access development for Highland Springs Dam; including paved asphalt roads, parking areas, electricity, picnic tables, rest room facilities, drinking water, and a fishing float. The 1969 estimate was 19,000 man-days of use. The "Sea Bats", a group of scuba divers, hold regular meeting and training sessions at the lake, so even the lake bottom is receiving multiple use. Public access to over 3,000 acres of federal land administered by the Bureau of Land Management has been improved.

Rainfall during the winters of 1968–69 and 1969–70 were about 30 percent above normal. In fact, Lake County was declared a disaster area in 1970 due to the heavy prolonged periods of rainfall. Adobe Creek below the dams ran from 50 to 90 percent of capacity for a 5-day period in December 1969, a 9-day period in January 1970, but no downstream damage was suffered. As Leroy Thomas, a pear and walnut grower on Adobe Creek puts it, "The residents along Adobe Creek no longer sleep with one eye open during periods of heavy rainfall."

COLORADO

Big Sandy

The Big Sandy watershed project has not suffered any serious floods since 1965. The following information has been provided by the Colorado Game, Fish and Parks Division relative to recreation use of the multiple-purpose Ramah Reservoir in the Big Sandy watershed project: The total use in terms of visitor-days amounted to 31,000 valued at $1.50 per day. In terms of economic impact, examples of use are as follows which is not all inclusive: Fishing, 20,535 days; boaters, 2,243 days; campers, 1,761 days; skiers, 272 days; swimmers, 175 days; and picnickers, 89 days.

Home Supply

One of the principal features of this project is an irrigation water reservoir with a storage capacity of 5,200 acre feet.

A separate cooperative agreement between the sponsors and the State Game, Fish and Parks Division provided for stocking of game fish, public fishing, and boating. The State agency is also providing facilities for picnicking, parking, sanitation, and boat docking at the site. Present investments for these purposes by the State amount to $16,576.

Since stocking the reservoir with trout, 30,000 fishermen have used the recreation facilities. Based on the $2 per fisherman-day used as a value by the Bureau of Sport Fisheries and Wildlife, the facility has already provided recreation usage valued at $60,000.

The Lon Hagler reservoir containing 5,200 acre feet of irrigation storage has provided a full capacity supply of water for irrigation during 1969. The going local sale price of storage water is $5 to $6 per acre foot. The benefits for 1969 based on water sale price of $5 per acre foot are $26,000. Increased crop production from the water supply adds to the water supply benefits.

Many other structural features of the project which are completed, as well as applied land treatment measures, would add materially to annual benefits received.

CONNECTICUT

Furnace Brook

The Post Office occupies the ground floor of a new building at the edge of the channel with truck loading in the basement. This would not have been possible prior to the watershed project.

A garage on Furnace Avenue that was badly flooded has been purchased by the mill across the street to be used as their main shipping and receiving building.

Rayteck Equipment Company is housed in a building that was badly flooded. Rayteck produces lighting equipment.

The Board of Selectmen was advised by the consultants designing a new sewage treatment plant that several thousand dollars will be saved as a result of the project because sewage tanks can be placed at a lower elevation.

The town has been able to obtain a $5 million liability insurance policy which includes flood damage for the low risk premium rate.

The Stafford Printers has expanded its operation and plans another expansion. Previous to the project three insurance companies had refused them flood damage insurance.

Several miles of railroad bed and tracks are now protected from flood damage.

A commercial recreational development, Sun Valley, is located directly below one of the flood retarding dams. The development consists of one large pond and several smaller ponds offering facilities for swimming, boating, and fishing; trails for skimobiles, trailer sites, picnic areas, and a barn for square dancing.

DELAWARE

Bear Hole

Bear Hole project reduced potential flood damages to crops from $25,000 to only $2,000 during a 13-inch rainfall in July 1959. Improved drainage has permitted additional hard surfacing of roads in the watershed. Land values have increased as much as 70 to 75 percent in the area.

Upper Nanticoke River

The Upper Nanticoke River project is beginning to show the benefits predicted. The project consists of stream channel improvements designed to serve agricultural land. Channel construction reached the first cropland during one of Delaware's worst droughts. Twelve farmers in the watershed took advantage of the dry seasons to build farm ditches emptying into the new outlet. Property values rose. Several landowners added to their farmland holdings.

The project was conceived primarily in terms of cropland benefits from drainage and flood prevention through channel improvement. The recent drought years have produced few benefits from cropland protection. However, unexpected benefits have been recorded. These include such items as—

(1) Roads previously considered not worth paving due to poor underdrainage were surfaced.

(2) Storm sewers in three rural communities were installed or improved.

(3) A recent forest fire was brought under control at the clearing provided by the channel, berm, and spoil.

(4) Channel construction roads have been used for timber harvest in previously inaccessible areas.

(5) Construction roads improved wildlife habitat. Increased use of the roads by hunters was evident.

(6) The general appearance of one area of the project has been changed so much that one leader commented, "The project has completely reversed the downward trend of the area and has provided the foundation and encouragement to improve and beautify the community."

FLORIDA

North St. Lucie River

In the period of May 18 through June 30, 1968, a total of 40 inches of rain fell on the watershed. Areas outside the project were inundated 50 percent of this period. Tropical storm "Abby" dumped 6 to 8 inches of water on this saturated watershed.

Rainfall of this intensity and duration would have flooded 8,000 acres of citrus for a period 3 to 5 days had not the project been completed. Local estimates are that losses would have been $300–$400 per acre. The damage to the citrus trees lasts for at least 2 years. At this rate $2½ to $3 million damages were prevented by the project.

During the storm period, the project pump station operated 7 hours straight to prevent flooding in its drainage area. This 100,000 gallon per minute pump station operated a total of 100 hours during this 6-week period. (The pump station is in addition to gravity drainage by channels.)

This channel-type project stood out in the spring of 1967 drought like an oasis. All structures were holding full heads of water at the end of the drought. Landowners used and managed the available water wisely.

Six thousand acres of citrus were benefited above structure 2 and 7,000 acres above structure 3. A total of 22 stationary pumps and numerous portable pumps pumped irrigation water from the storage pools and above these structures. Areas beyond the boundaries of the district dried up and crops were ruined. The water table was maintained at a satisfactory level in the district and the trees were able to hold their fruit.

Taylor Creek

In a 6-week period of May and June, this watershed received 20 inches of rainfall, including a hurricane. Some privately operated rain gauges recorded up to 40 inches.

The final construction contract was 90 percent complete when the rains began. In spite of this the project works prevented flooding of pasture and citrus lands. Aerial observations revealed extensive flooding outside the watershed.

It is estimated that flooding was prevented on 15,000 acres of pasture and 300 acres of citrus. At the damage rate of $20 per acre of pasture and $300 per acre of citrus, a total damage of $390,000 was averted.

Sarasota West Coast

Water control structures hold water in 11 miles of completed channels which were stocked with fish when constructed. These channels held water throughout the 1967 spring drought, which was the worst in 25 years. All natural channels and ponds in the watershed dried up. The project channels will restock the remainder of the watershed with fish. Contrary to many theories, these 11 miles of channel have provided excellent fishing during the past years.

GEORGIA

Bull Creek

Eleven floodwater-retarding structures, improved channels including concrete and rock-lined channels, and appropriate land treatment measures comprise the main elements of the Bull Creek watershed in Harris and Muscogee Counties. The project, now nearing completion, protects 1300 acres of agricultural land with an estimated benefit of $6,000 annually.

In addition, it provides 100-year flood protection to more than 1300 acres of urban land in Columbus, a city of more than 125,000 producing an estimated annual benefit of $286,000.

The Muscogee County government has been unusually active and farsighted in this project. They acquired over 1,000 acres of land for ten of the eleven structures at a cost of $1,559,148. Each of the ten lake sites is being developed into a county park with rest rooms, picnic tables, and shelters with an expected ¼ million dollars annual benefit from recreational use. These benefits were unexpected and were not used to justify the project at its inception.

One floodwater-retarding dam is on the Fort Benning Military Reservation and provides recreational facilities to thousands of military personnel and their families.

Women's organizations are cooperating with project sponsors to beautify parks around the structures, making these areas more attractive to park users. This opportunity for the women's groups to participate, while unexpected at the outset, has added considerable impetus to the watershed project.

The installation of three flood-retarding reservoirs on the Lindsey Creek tributary saved the county government an estimated $360,000. This was the amount necessary to replace a single culvert under an airport runway with larger twin culverts. The installed structures now control runoff to an amount that is well within the capacity of the present culvert under the runway.

On March 3, 1966, a 6-inch rain in 8 hours fell on the Lindsey Creek portion of the watershed. At this time three flood-retarding structures and part of the concrete-lined and rock-lined channel were already installed. Althought a portion of the concrete-lined channel was still to be installed, flood damage was estimated at only $200–$300.

Damage on Weracoba Creek, adjacent to but outside the Bull Creek watershed, to urban property was estimated at more than $100,000.

Little Tallapoosa

Benefits continue to accrue to both rural and urban people in the Little Tallapoosa River watershed.

The Mayor of Villa Rica reports, "Six new industries employing approximately 450 people, have opened plants in Villa Rica, Georgia. Since the Little Tallapoosa River watershed project started, the city has completed plans to run a 10-inch water main through a 140-acre tract of the land which has been reserved for industrial development. One of the major factors in our securing these new industries and jobs for our people is the assured future water supply."

According to a recent report of researchers from the Geogia Institute of Technology, one of the most attractive locations for new industry is the Villa Rica area.

Residents of Carrollton, Georgia, turned on their spigots and let them run virtually free of charge during September 1968, at a time when severe drought still plagued much of the State.

Water customers were told they could use all the water they wanted. "All it would cost," said Carrollton Mayor John Robinson, "was what they paid the month before we started the open spigot policy."

The secret is the extra municipal and industrial water supply stored in Lake Tallapoosa, one of the 14-flood-retarding lakes in the Little Tallapoosa River watershed project.

"At a time when everybody else is burning up, we can offer our people all the water they want because we have it stored in our watershed lake," Mr. Robinson said.

"I want everyone to know," he continued, "that this watershed project is the greatest thing that has happened to Carrolton to create jobs and attract industry. The men in SCS deserve all the credit in the world for helping us with this project."

Another cumulative benefit accruing to Carrollton, according to Mayor Robinson, is the increasing water revenue. "This now enables us to finance the extra utility services necessitated by the expanded industrial growth and housing developments."

"There is no doubt about it," Mr. Robinson said; "the extra water we have now because of the Little Tallapoosa watershed project is the vital key in assuring the future development of this area."

The Mayor of the city of Carrollton reported, "The Little Tallapoosa watershed project is the finest thing that has happened to our city and county in a long time. We were faced with the necessity of building a new sewage treatment plant. But we were able to construct an oxidation pond in an area of bottom land near Carrollton which is now protected because of the watershed improvements upstream. This alone saved us more than $100,000.

"A private consulting firm employed by the city has estimated that the recreational value alone from structure 36 (near Carrollton) will be about $10,000 a year, although no additional water storage was included for recreation.

"Carrollton's share of the cost of the project was less than $200,000. In the light of benefits that have and will continue to accrue, it would have been cheap at several times that figure."

In 1961, Carrollton was saved thousands of dollars in repair bills to its water plant because of the then incompleted project, according to the Mayor. In 1948, a 10½-inch rainfall occurred and, despite the use of sand bags, floodwater from the Little Tallapoosa got into the city water supply. The flood covered 6,100 acres, washed out 19 bridges, and did extensive damage to land, crops, and improvements.

The Vice-President of Southwire Company, Carrollton, stated that the plant expanded in 1964, doubling its use of water and increasing the number of people employed. The plant now employs more than 800 people, with an annual payroll of $4 million. A further expansion, which will more than double present operations, is being planned.

Trent Tube Company, Carrollton, is now building a plant that will employ 400 people. Its only source of water will be the new watershed reservoir. It also plans to make further expansions as adequate water is ensured.

The Douglas-Lomason Corporation reported that the company's Board of Directors agreed to build a plant at Carrollton only after the new water supply was assured. The plant is under construction, and 800 people are already employed.

HAWAII

Waianae Nui and Waianae Iki

These adjacent watersheds are located on the leeward side of the Island of Oahu in the Hawaiian Archipelago and occupy a land area of 30,760 acres. This tropical area, with its vast sand beaches, is populated with one of the largest low-income groups in Hawaii. It contains a sizable community of native Hawaiians living on homestead lands administered by the state.

The population of the Waianae district has increased from 16,452 in 1960 to 23,842 in 1970. This is a 45 percent increase in population in ten years in an economically depressed area.

The Waianae Nui watershed project was the first major community-inspired project in the area. Approved for installation in late 1960, the project has provided stimulus for a momentum of community redevelopment.

Redevelopment projects in downtown Honolulu brought relocated low-income families to the region. This has compounded social problems. Protection provided by the Waianae Nui watershed project has helped give low-income families the opportunity to move into improved low-cost housing.

The Hawaii Houisng Authority has purchased 20 homes built on land formerly undevelopable because of flooding and drainage problems. The developer was able to embark on a low-cost housing development soon after the Maili channel improvement was completed in 1967.

A joint state-city program for development of a planned community consisting of 500 new homes, a government services center, a shopping center and recreation facilities near the Waianae Iki channel improvement was recently announced.

Public and private agencies have initiated other development programs since the start of construction of both watershed projects. A sewage treatment plant designed to serve the existing and projected population has been completed.

Interstate Highway H–1 is under construction, and will put newly constructed beach parks of the Waianae area within 25 minutes of downtown Honolulu. Newly constructed schools in the area include Waianae Elementary, Maili Elementary and Waianae Intermediate. Construction is underway on a new Nanakuli High School. The Nanakuli-Maili area is one of the two active Model-City program areas in the state of Hawaii.

The watershed projects have also stimulated private investments in the area. Now that flooding has been eliminated, Joe Dwight, Sr., has been able to realize his dream of developing an attractive housing area along the Ulehawa Stream. Fifty-two homes have been built and sold at $17,000 and up. Prospects for further development are bright.

A local school teacher and long-time resident stated, "These projects have provided the people with a new hope for the future and an intense pride in the redevelopment of their community."

Through community efforts, the entire beach front is presently undergoing improvement. Much of the debris and shrubbery which accumulated over the years is being cleared out. The Community Action Program, employing underprivileged young people, has made great headway in further beautifying the community. The overall beauty of the area also has been greatly improved by eliminating weed- and rubbish-choked channels. A sense of community pride is growing.

George Zane, chief of the State Sanitation Division, stated that the Ulehawa channels have eliminated a health hazard caused by the frequent flooding of the Nanakuli area. Before the channels were installed, floods formed large pools of standing water which remained stagnant for two weeks or more. The pooled areas were perfect breeding places for mosquitoes and other disease-carrying organisms. The standing water also made cesspools inaccessible for pumping. Raw sewage seeped upward through the ground producing noxious odors and posing a serious health hazard. "This condition," Mr. Zane noted, "no longer exists."

The Ulehawa channel project, completed in April 1965, has provided residents of Nanakuli with protection from five storms. The storms would have caused an estimated total damage of $750,000.

Instead of looking forward to human misery because of floods, the people of the area are confident of the protection provided by the channel projects.

IDAHO

Cedar Creek

Cedar Creek is a small watershed in South Central Idaho that, typical to the West, receives most of its precipitation in the form of winter snows. With irrigated agriculture depending on stored water in Cedar Creek Reservoir for existence, the area had long been plagued by problems of poor water supply and delivery. From the damsite down to the irrigated plateau, the creek stretches between vertical rock cliffs as it carves a deep canyon toward the Snake River Plain. An old fume constructed many years ago contoured the water out of the canyon and onto the plateau above. To compound the problems of poor water control, this leaky flume would often be broken by a falling rock from the cliffs, leaving the area with no water at all during peak irrigation seasonss.

A new diversion dam and a 54-inch pipeline replaced the old flume, making certain that all the water taken from Cedar Creek reached the irrigation area. There a regulating reservoir allowed a large enough supply to be held so that each farm and ranch had the benefit of better water control. In addition to the irrigation benefits, the regulating reservoir is widely used for picnicking, swimming, and other recreation. Waterfowl and upland game birds find hundreds of acres of new habitat within reach of the water.

Other improvements continually show up on the irrigated area. Improved roads, improved homes, improved land treatment and other new aspects of beautification are seen annually. Twin Falls bankers testify that the stability of the irrigated agriculture of the area shows up in downtown business and bank deposits.

Lawrence Heil, President of the Cedar Mesa Reservoir and Canal Company, expresses the feeling of most people in the area when he says, "If we had to go back to using the old system, I would sell my ranch and pull out."

Fourth of July Creek

The project was completed in 1966 to reduce flood damages in a 17,000 acre watershed. Seven farms have benefited with improved removal of spring floodwater. This was accomplished by strengthening a dike separating Fourth of July Creek from the Coeur d'Alene River and installing a pumping plant to lift creek waters into the river at high water. Because of the improved agriculture in the Fourth of July Creek bottoms, the project has had an unexpected benefit to wildlife habitat in the area. After farmers harvest 100-bushel oats in the fall, the fields turn to a lake as early spring runoff begins. During the 3–4 week period that it takes the pumps to drain the surface water into the Coeur d'Alene River, thousands of ducks, geese, swans and other waterfowl utilize the lake as a feeding ground. With an ample feed supply caused by spilled grain, the gaggle of feeding waterfowl can be heard throughout the watershed for a period in the spring when other food supplies for the migrant birds are in short supply.

ILLINOIS

Big Blue Creek

Big Blue watershed project in Pike County supplies water to the city of Pittsfield. It also provides flood control to farmland downstream.

The 250-acre Lake Pittsfield provides an adequate water supply. Since its formation, the following progress has been made in the city of Pittsfield (Population 4,100) and in developing the watershed project for recreation:

1. The Greater Pike Industrial Association was formed to try to secure new industries. The members purchased 132 acres north of town and are developing it into an industrial park. The Association raised the money for the purchase price, $17,000, by contributions from groups and individuals and by issuing stock in the Association. Two plants are now considering Pittsfield as a place to locate.

2. Because of an adequate water supply from the lake, it was possible to build an oxidation basin for handling sewage in the south part of town. The basin cost $200,000. Two housing developments have been completed and two more started.

3. Because of an adequate water supply, Assembly Homes Incorporated chose Pittsfield over some other towns for building a $500,000 nursing home. The Development Association in Pittsfield purchased the land for $10,000.

4. Public recreational facilities are being developed at the lake site. This too, is a community undertaking. It now includes seven separate picnicking areas with tables, grills, and access to fishing; a gravel boat ramp; a boat dock; two campgrounds; and a playground park. All these facilities are offered to the public free of charge. Recreation plans for the future include a $30,000 concrete boat ramp with access roads and parking lot.

A nine-hole golf course is planned on the east side of the lake. Keep in mind that recreation was not a purpose in the watershed work plan but these developments are made possible by the watershed project.

The 40-acre lake which was the city water supply, prior to construction of the watershed reservoir, was sold to a private concern, which has developed it into an excellent and well known recreation center. This operation employs about 25 people during the vacation season and brings in the thousands of dollars to the community in the form of sales and services to the patrons of the recreation development.

A new low-rent old-age housing project is now under construction in Pittsfield. It will contain about 70 units. Without an adequate water supply it is doubtful if this project could have been approved by the Department of Housing and Urban Development.

5. During October of 1969 between eight and nine inches of rain fell on the watershed one weekend. Although other creeks in the area were flooded and caused considerable damage, Blue Creek was never out of its banks and caused no damage. Downstream landowners are convinced of the effectiveness of floodwater-retarding structures.

6. A local banker and former councilman, who has had more to do with initiating the project than any other individual, has this to say, "The psychological effect of an adequate water supply on the whole business community has been tremendous. Since the formation of the 250-acre lake with an adequate water supply, the attitude of the businessmen is entirely different."

Old Tom Creek

When structure 30 was constructed in the Old Tom Creek watershed, it replaced a bridge on a county township road. The county and township contributed to the cost of construction and also agreed to maintain the fill.

Soon after the completed fill was turned over to the owner on whose land it was constructed, the Prime Beef Chapter of the Isaac Walton League in Monmouth, Illinois, worked out an agreement to lease the east side of the lake comprising about 20 acres of land and 15 acres of water. This was leased for $500 per year.

The League members were interested since there is no recreation available within a 20-mile radius. The land has grown up in brush and large trees and required a tremendous amount of work to put in shape. The local members of the League contributed this labor, so that now the entire area is a beautiful park.

To secure money for clearing and developing, the membership was enlarged so that today it consists of 509 families paying an initial $10.00 initiation fee and $20.00 dues per year per family. This money was and is used for development and maintenance.

The use of the park and facilities is limited to the 509 families, who are members, or about 1,806 people considering 3.5 people per family.

There are some exceptions, however. Other groups such as Boy Scouts and church groups may use the area with clearance from the officers. Any organization with adult supervision is welcome.

The facilities consist of about 20 outdoor fireplaces, a shelter house about 38 feet by 60 feet; 2 bath houses with showers; electricity with numerous outlets; a deep well; a large sandy beach with float and diving tower; two cook shacks, four modern rest rooms, and all roads are blacktopped.

The lake has been stocked with bass, bluegill, and catfish so that now excellent fishing is available.

This area is providing fishing, camping, boating, swimming, and ice skating. Many of the families spend their vacation here and the Boy Scouts camp frequently.

The following is the estimated man days used in a year. Some, but very little overlapping, is included:

1. Swimming	32,000
2. Camping	8,000
3. Ice Skating	1,200
4. Fishing	3,000
Total	44,200

This is an excellent example of extra benefits from watershed work and also for recreation for a large area that was devoid of any before.

INDIANA

Busseron

This was the second year in operation for the multiple-purpose flood prevention and recreation structure which created 460 acres of water, and developed 420 acres of land for camping and picnicking. The year 1970 surpassed 1969 in visitor days by 25,954 (145,856 in 1970—119,902 in 1969), and in total receipts by $12,311.14 ($51,340.14 in 1970—$39,029 in 1969). Annual entrance passes increased from 616 to 898. There was also an increase in fishermen, boaters, campers and picnickers.

The enlarged remodeled grocery store nearest the park, the new store fronts on the city square, the boat insurance signs on the windows of insurance agencies, and most stores selling out of camping and picnicking supplies each weekend are some of the benefits not clearly seen by most.

The assessed valuation of the land acquired for the park and lake was $25,000. One of the main objections to the development was the removal of this from the tax rolls. Just one development on 65 acres near the lake with city sewers and water has added $154,400 assessed valuation to date. This includes 43 lots sold and 15 houses constructed. There are three more under construction and more planned for next year. This is a benefit to the county that very few could or would recognize and this does not take in the development around the other parts of the lake.

Prairie Creek (Daviess County)

The 89,000 acre Prairie Creek Watershed is providing flood protection to over 11,000 acres of land which, prior to the watershed program, flooded 3–5 times annually.

The 11 floodwater retarding structures, 49 miles of flood control channel, and 15 miles of levees have reduced damages to county roads and bridges because the floodwater is controlled. Several old (3-ton limit) bridges have been replaced by corrugated metal pipes. Many county roads which do not flood anymore are being blacktopped.

The multi-purpose structure at Montgomery, Indiana, known as Indian Rock Lake, has really been a tremendous benefit to the community. The 26-acre lake and 13 acre park were originally designed to include 10 campsites with electricity. This has been expanded to over 50 sites. There were 16,108 camper days used during last season in the park.

The Montgomery Ruritan Club, who financed the local share of the costs for the recreation facilities, purchased an additional 20 acres adjacent to the park this summer. The Ruritan Club plans to develop this new area for camping, parking and outdoor sports area.

IOWA

Davis Battle Creek

The Iowa State Highway Commission had tried unsuccessfully several times to stabilize the road shoulders along State Highway 37 west of Soldier. The completed grade stabilization structures in the watershed have provided a stable base for the Highway Commission to stabilize and improve the shoulders along the highway. The District Maintenance Engineer stated that the Highway Commission has been able to improve the road shoulders in the area where in the past it was impossible to do. He also stated that in several places the highway grade would have eroded out or been badly damaged without the completion of the watershed structures.

Indian Creek

Indian Creek for many years has been a problem to the of City Council Bluffs The 9,792-acre watershed lies to the north of the city flowing directly through the heart of the business district. Frequent flooding in the city has been caused by silt clogging the channel.

High intensity rain storms which covered a 22-day period in June 1967, after the structures were completed, produced 17.71 inches of rainfall. The flow in Indian Creek was never more than one-quarter full compared with overflowing in 1947. Land treatment measures consisting of 66 miles of terraces, 27 acres of grassed waterways, 60 acres of land conversion from cropland to permanent pasture, and construction of three grade stabilization and detention structures have prevented silt from clogging the channel and thus alleviated flooding. A fourth structure, replacing a bridge that had been replaced several times, has been constructed which permitted the County to straighten the road as well as provide flood prevention benefits.

The four impoundments have been stocked with fish. They provide recreation such as hunting, fishing, picnicking, and some swimming to residents of the area. Many species of waterfowl have been noticed visiting these ponds, including ducks, geese, and on at least one occasion, a flock of pelicans. One owner has beautified the area around the conservation pool by planting trees and shrubs. He keeps it mowed clean, adding to the beauty of the farmstead as well as the countryside.

Pony Creek

The Nishnabotna Girl Scout Council of Southwest Iowa has purchased a 280-acre site which includes a 22-acre lake formed by a Pony Creek watershed structure in Mills County. The Nishnabotna Council serves 3,738 girls and expects an enrollment of 5,000 in the next 10 years. The name of the camp will be Camp Nevati (English translation "By the Lake"). The activities at the camp will include hiking, camp craft, nature study, with the lake providing for activities such as fishing, canoeing, aquatic life, and swimming. The area contains steep terrain and deep gullies. The watershed structure's main purpose was grade stabilization of these gullies. Now it provides this plus a setting for the camp and the top of the dam will serve as a crossing to a major part of the land.

KANSAS

Frog Creek

Flood damage reduction benefits estimated at $132,000 were realized during a storm series on June 19 to 21, 1967, in this 22,496-acre watershed. Rainfall for the 3-day period ranged from 8 inches over the general watershed area to 13 inches in the upper reaches. In addition to land treatment, the project measures include seven floodwater-retarding dams built with PL–566 assistance and four similar but smaller structures built with "going" program assistance.

Before the big rains in June, water stored in sediment pools was used for supplemental irrigation. Severe flood damages were experienced on nearby watersheds without flood-prevention measures.

Flood damages have not been experienced on this watershed since the eleven structures were built.

Twin Caney

Boy Scouts developed a recreation facility in the Twin Caney watershed. A multiple-purpose dam has been completed, forming a 400-acre lake which is the focal point of the 2,800-acre Quivira Scout Ranch. Seven separate camps have been established around the lake. The lake provides all aquatic sports, including swimming, sailing, canoeing, and fishing. The Quivira Council of Boy Scouts contributed about $110,000 toward construction costs of the dam.

The Kansas Forestry, Fish and Game Commission has worked with the Quivira Council to develop this lake into an outstanding fishing facility.

During 1970, there were 24,000 man- and boy-days of camp use from about 150 Boy Scout Troops and Explorer Units. The annual budget for 1970 camp operations exceeded $50,000. Capital improvements during the past year have included new water mains to several of the wilderness camps and a new house for the camp ranger. These direct expenditures by the Council, together with the travel costs and local expenditures by campers, contribute directly to the economy of the area in which the Scout Ranch is located.

The city of Caney gained in several ways by participating in building a multiple-purpose reservoir. Construction was completed in December 1966.

The city of Caney reservoir is not only providing 1,335 acre-feet of flood-detention capacity, and 600-acre feet of supplementary municipal water supply, but is also developing a considerable recreation potential. Allen Kirkpatrick of Havana, whose 644-acre farm includes 23 of the 80 surface acres of this reservoir, is developing a commercial recreation enterprise in the wooded area next to the lake. He secured a Farmers Home Administration loan to help finance the project. The resort is called Timber Hill Lake. He has provided roads and sanitary and recreation facilities for swimming, trailer camping, picknicking, boating and fishing.

Timber Creek

The city of Winfield has met the challenge of the future with a $10,000,000 improvement program in water supply, recreation, and power generating capabilities.

The Winfield City Lake was developed through the cooperative efforts of the Timber Creek Watershed District, the United States Department of Agriculture Soil Conservation Service, the Federal Department of Housing and Urban Development, and the city of Winfield. This multiple-purpose development provides a lake with a 1,130-acre surface area, basic facilities and a surrounding land area for recreation; flood prevention; and a full high-quality water supply to the 12,000 people of Winfield.

A new water treatment plant and 1,500,000 gallon ground storage supply has been constructed. The plant has a design capability of 8,000,000 gallons per day. Current use is 3.5 million gallons per day, thus giving Winfield and the surrounding area adequate plant capacity for the future.

To provide a constant source of adequate pressure a new 1,000,000 gallon elevated storage tower was constructed.

For transmission of raw water from the lake to the treatment plant, 7.66 miles of 24-inch reinforced concrete pipe were laid as a gravity main.

These excellent supply and treatment facilities will provide the city and surrounding area with an adequate water supply until the year 2020.

Looking to the future in anticipation of community growth, the city has expanded its power facilities with the construction of a new 26,500 kilowatt steam generating plant and a 25,000 kilovoltamp interconnection with the Kansas Gas and Electric Company. Financing of the power improvements and the city's share of the water improvements was accomplished through the sale of revenue bonds.

This extraordinary community improvement is completely operational and was dedicated in ceremonies on October 24, 1970.

On April 18, 1970, a rainfall of 5 to 7 inches fell over most of the presoaked watershed. Winfield Lake along with five upstream structures stored over 12,000 acre-feet of floodwater and prevented a major flood in the valley below including the city of Winfield.

KENTUCKY

Mud River

Water resource developments within the 240,000 acre Mud River watershed have stimulated economic growth and provided flood protection and municipal water, as well as various facilities for public and private recreation.

Three multiple-purpose structures and 18 floodwater-retarding structures have been built and 17 miles of tributary stream channels have been improved. Twenty-six dams and reservoirs are planned in the project.

Lake Malone, an 826 acre lake created by multiple-purpose structure 51, was installed for watershed protection and flood prevention as well as for fish and wildlife and public recreation in cooperation with the Kentucky Department of Fish and Wildlife Resources. A 300-acre state park has been developed along part of the shoreline. Over 200 privately owned cottages valued at over $2 million have been built along the lake. Other developments around the lake, both public and private, include 30 miles of new roads, 20 miles of improved roads, a $145,000 bridge, a $45,000 sportsmen's lodge, and 20 miles of hiking trails. Over 7,000 Boy Scouts from all parts of the country have hiked along these scenic trails—over 700 scouts during one weekend alone. Existing facilities at Lake Malone provided over 100,000 visitor days during 1968.

Another multiple-purpose reservoir includes municipal water for Lewisburg (population 500). This facility is credited with the expansion of a pallet plant to employ an additional 75 people. A new medical clinic has also been constructed and is appropriately staffed.

Lake Herndon, the third multiple-purpose structure, includes 750 million gallons of water for the city of Russellville. The Audubon Council, Boy Scouts of America, has purchased 1,200 acres of land completely encircling the 142-acre lake for a Boy Scout reservation that will accommodate over 6,000 boys annually. Long range plans for the reservation include development of four separate camps. One camp has been completed at a cost of $450,000 and includes swimming pool, trading post and commissary, non-denominational chapel, and 14 troop camp sites. A complete aquatic program, including canoeing, water skiing, motorboating, and sailboating has been established.

The construction of Lake Herndon has resulted in an expenditure of over $3 million, including waterlines, two new plants and three plant expansions. It is the source of water for a new water district which serves 140 rural families. The water district obtained a grant of $110,000 and loan of $113,000 from the Farmers Home Administration to install the water distribution system that includes 13.9 miles of waterlines.

A study made by Spindletop Research, Inc. shows a benefit of $2.26 for every dollar spent in the period of 1961–1967. Spindletop estimates that for the period 1961–1990 the benefit will be $20.90. The study also shows that in 1967, 1307 jobs with a total income of $5,321,000 can be attributed to the Mud River Watershed project.

The watershed work plan is now being revised to include the city of Russellville as a sponsor of a fourth multiple-purpose structure that will contain about one bilion gallons of water and have a surface area of over 200 acres. The total estimated cost of this facility is $625,000.

Valley Creek

The future of Elizabethtown did not look bright when Valley Creek flooded, May 1961, inflicting an estimated $155,000 of flood damage within the city limits. Some flooding occurred nearly every year with an average annual flood damage of $42,000.

The future growth and development of the city was likewise hampered by an inadequate water supply, the source of which was two springs and a well.

Three floodwater-retarding structures and one multiple-purpose structure, which stores 300 million gallons of municipal water in a 160-acre lake with adjacent facilities for public recreation, are planned for the watershed. The multiple-purpose structure with adjacent facilities for public recreation and the largest flood-prevention structure are completed. Land rights have been acquired for the two remaining structures at an approximate cost of $200,000. Fishing permits, valuing more than $11,000, were sold during the first year's operation of the recreation lake.

The addition of municipal water and flood protection has given a big boost to the economy of the Elizabethtown area by attracting new industry and creating new jobs.

Since the watershed program began, Crucible Steel, Dow Corning, and Gates Rubber Company have located new plants or made major expansions that have created jobs for 1,300 people. Vendo Company has purchased a site for an industrial plant that will employ 1,000 people.

Fourteen other industrial plants have invested over $18 million in expanded facilities. Approximately $13 million is now paid annually to 2,000 workers in the city's major industrial plants.

The city's industrial plants would have been closed during the 1969 summer drought had it not been for 300 million gallons of municipal water in multiple-purpose structure 4.

Flood protection offered by the watershed project has also influenced property development immediately below the structures. A new multi-million dollar shopping center is being developed below multiple-purpose structure 4.

The city has just completed a sewage lagoon which is protected from flooding by the watershed structures. The lagoon and other planned improvements for sewage treatment will solve future pollution problems of Valley Creek according to city officials.

LOUISIANA

Bear Creek

The specific purpose for installation of the three floodwater-retarding structures and 13.5 miles of drainage channel in the Bear Creek watershed was flood control through retardation of runoff and improved drainage. This alone greatly improved the economic conditions for the watershed. However, the floodwater-retarding structures are proving useful in many ways of which were not planned. These benefits are to livestock water and incidental recreation including camping, fishing, water skiing, swimming, boating, picnicking, and duck hunting. According to local residents, many visitors from Lake Charles, 30 miles to the South, and other metropolitan areas come to rest and relax at the lakes formed by the sediment pools. Fredrick LaPoint, prominent farmer and resident in the watershed, stated structure 1 is such a popular recreation site that in order to secure a place near the lake on a weekend it is necessary to do so early on Friday.

"This past summer was one of the worst droughts in this area in many years. If it had not been for the watershed lakes the local cattlemen would have had very little if any livestock water," said Mr. LaPoint.

The Lumber Company on whose property structure 1 is located has made this lake available for public use. Not only has the recreational use contributed to the general welfare of the community but has greatly improved the Company's relations with the local people. Open range is practiced in this area. The range cattle farmers would have suffered severely during this past drought had it not been for the water provided by the sediment pools of these structures.

North Tensas

North Tensas watershed, one of the two Public Law 566 projects that comprises the total area of Tensas Parish, has begun to show favorable economic effects of the community. The general impression one gets from driving through the area is that the small and large landowners alike have taken advantage of the drainage facilities and the reduction of the flood hazard to improve their land resource. Several new homes have been built, roads improved, and general upkeep of farm buildings shows a certain amount of pride has developed over the last three or four years since the completion of the project. There is a feeling of well-being and pride within the area. The people show more interest and take part in the activities of the community. School and church attendance has increased.

The Farmers Home Administration Parish Supervisor indicates that all loan payments are now paid in advance by as much as two years whereas before the watershed project was developed many of the loans were delinquent. Prior real estate loans were limited to $75.00 per acre but now would go three times this amount or $225.00 per acre.

Personal income in Tensas Parish is up 18 percent over 1962 and exceeds that of the surrounding four parish area, also rural, by about three percent. Employment, mostly to agriculture, is up about 15 percent over that in 1962.

MAINE

Libby Brook

One floodwater-retarding structure, one multiple-use floodwater and recreational structure, and a floodwater-diversion channel are providing protection to residences and business establishments in Fort Fairfield.

The completed 18,568-acre watershed project was the main reason the town of Fort Fairfield experienced no floodwater damage in the spring of 1969 from the unusually large accumulation of snow and resulting runoff. The Town Manager said, "This proves beyond a doubt that our investment in this project has more than paid for itself."

This watershed project again paid dividends to the community when no flooding water damages were experienced from Hurricane Gerda.

Presque Isle Stream

One multiple-use recreation and floodwater-retarding structure and two floodwater-retarding structures have been completed in the Presque Isle Stream watershed project. A second multiple-use recreation and floodwater-retarding structure is nearly completed. Four additional structures will be built over the next few years.

The multiple-purpose structure on Hanson Brook created a 118-acre permanent pool for recreation. In the spring of 1969 fishing was the big attraction around the lake. As soon as the ice started going out around the shoreline, 300 to 400 fishermen per day visited the area for about 20 days. Then it slacked off to about 100 per day. Fishermen were rewarded with catches of trout up to three pounds and more! During the 1969 fishing season it is estimated that user days from fishing alone totaled 15,000. Other activities include swimming, boating, picnicking, and use by amphibian and float planes.

The floodwater-retarding structures have functioned very well and have decreased the flood damage in Presque Isle during the spring runoff.

Limestone Stream

Traften Lake, created by the construction of a multiple-use structure for flood prevention and recreation on Webster Brook, provides 85 acres of permanent water for recreation and fish and wildlife use. This is one of three sites planned as part of the Limestone Stream watershed project. The principal spillway gate was closed in November 1968, ond the 85-acre lake was filled by April 1969. During 1969, the lake has been the focal point of community interest. The site has been visited daily by upwards of 50 or more people.

During the centennial observance of the town's founding, the lake and its dedication was the highlight of the centennial activities. Construction of the basic recreational facilities have been started. Boating, swimming, fishing, water skiing, and picnicking have been the predominant use even though the facilities were not constructed. Hundreds of people flocked to the lake over the Fourth of July holiday to view and participate in the water-based, competitive recreational activities.

A census was made of the newly created lake in September 1969 by fisheries biologists and it was deemed that the new body of water had the greatest natural population of game fish species in Northern Maine. The nursery area above the lake was preserved during the construction process, and large hatches of brook trout moved into the lake in such numbers that supplemental stocking was deemed unnecessary. The water temperatures and food supply are optimum for a trout fishery habitat.

The lake has turned out to be a valuable haven for migratory waterfowl. Many hours of good waterfowl hunting were provided in the fall of 1969. Maine's Department of Inland Fisheries and Game stocked the area around the lake with pheasant during the early Fall that served to provide an excellent dual challenge to local hunters in the area.

The development of Trafton Lake has provided, and will continue to provide, the residents of Limestone and the surrounding communities with many new opportunities to enjoy water-based recreational activities.

The second flood control structure was built in the summer of 1970. During heavy rainfalls in October 1970, water measured over eight feet above the principal spillway. The Town Manager indicated that because of this structuure a considerable amount of damage was eliminated.

MARYLAND

Gilbert Run

The Eastern United States suffered a record-breaking drought in 1966. Gilbert Run watershed, located about 30 miles south of Washington, D.C., in southern Maryland, received barely one-third of the normal rainfall for the period April 30 to September 12. The usually unfailing sources of water were dry. Farmers were hauling most of their domestic water. But the sediment pools of the two floodwater-detention reservoirs in the Gilbert Run watershed were nearly full. The Trinity and Jamison impoundments held 162,263,000 and 86,296,000 gallons respectively.

Farmers in the watershed and biologists from State resource agencies made known the extreme suffering of animal and aquatic life. The directors of the Gilbert Run watershed immediately began releasing water from the sediment pools. The flow released from the two structures was estimated to exceed 1,390,000 gallons per day throughout August and until September 13 when the drought was broken by a 5-inch rain. The release of this water effectively sustained flow throughout the 9 miles of channel and provided water to wildlife, livestock, aquatic life, and domestic users.

The drawdown on the Jamison Reservoir was 10,800,000 gallons. The water at this site was released over a 23-day period and constituted 12.5 percent of the sediment pool capacity. Trinity Reservoir, the larger of the two, was operated over a 35-day period providing 35,000,000 gallons which represented 21 percent of its sediment capacity. The rain on September 13 refilled both reservoirs.

Several important facts were revealed to the directors: First, that the emergency needs for water in the stream valley could have been met much earlier; second, that judicial regulation has little detrimental effect on other uses of the pool during drawndown, and third, that the reservoirs recharge immediately when the drought is broken. The opportunity to provide drought relief highlights one of the unplanned benefits of the Small Watershed Program.

Marshyhope Creek

Marshyhope Creek watershed is located in the eastern shore of Maryland and Delaware about 75 miles east of the urban complex surrounding Baltimore, Maryland, and Washington, D.C. Some of the vacation routes from the urban complex to the seashore resorts of Maryland and Delaware pass through the watershed. The area is noted for broiler production and for a variety of truck crops including lima beans, peas, tomatoes, and peppers.

This watershed project was originally conceived as a system of multiple-purpose flood prevention and drainage channels with the principal benefits accruing from increased farm income from the use of agriculture land in the watersheds. However, during work plan preparation, a hydrologic analysis revealed that the improved channels in the upper reaches of the watershed, which were designed to prevent flooding and provide better drainage of the cropland, would induce flood damages in the town of Federalsburg. Federalsburg is located on the main channel of Marshyhope Creek near the lower end of the watershed. The plan was then modified to include a single-purpose flood-prevention channel through the Federalsburg area with urban damage deduction benefits used for justification. It is now evident that unplanned benefits will accrue to the approximately two miles of channel improvement through the town of Federalsburg. These unplanned benefits will be from new employment and new recreational opportunities.

The construction of the flood prevention channel through Federalsburg has been completed. The excavation operation required disposal areas for spoiling the excavated material. Several spoil areas totaling approximately 70 acres have been acquired by the town. Federalsburg plans to develop these areas as public park and for public access and use of the water-based recreational potential. Boating, water skiing, sailing, and associated activities can be fully realized with the channel enlargement. Suitable launching and mooring sites are available for development along the shore, including the newly acquired spoil areas. Economic benefits will accrue from the employment provided through the development and maintenance of the recreational facilities and the sales of boats, motors, and recreational equipment. The use of the recreational opportunities by outsides will provide additional money flow into the area.

MASSACHUSETTS

Powdermill Brook

The city of Westfield last year spent $24,000 to purchase an additional 8.7 acres of land at the Arm Brook multiple-purpose structure. This increased the recreational area to 48 acres. The facility is now open to the public and many groups are using the area.

The city has hired two full-time lifeguards for duty during the summer months. The local YMCA and Red Cross have been holding swimming classes for the youngsters.

Attendance records show that up to 4,000 bathers use the facility weekly.

The impoundment has provided many hours of fishing for young and old. The pond was stocked with 1,500 brook trout last year.

The barbeque and picnic facility on the newly acquired land has handled up to 600 people from the surrounding cities and towns.

Project E.P.I.C. representatives (Education Project to Implement Conservation—A Title 3 Project under Health, Education, and Welfare) have used the area as an outdoor classroom.

Dr. Kenneth Taylor of Westfield State College uses the area for biology classroom for both graduate and undergraduate students.

Hunter College in New York has visited the area as a part of their summer field trip in Geography.

The project is also used as a demonstration area for sponors of other watersheds.

Land within the Powdermill Brook watershed is now being used more intensively. An industrial firm located in the watershed has expanded its facilities by $250,000. The plant manager stated that the firm never would have considered expansion at this location had it not been for the protection against flooding offered by the project. A new restaurant, erected at a cost of $80,000, is now doing business near the brook. An electric motor repair firm also has located in the watershed.

Approximately 145 new jobs have been created in the protected areas as a result of plant expansions and new businesses.

SuAsCo

In March of 1968 a rain of four to five inches occurred throughout the watershed on a heavy snow cover over frozen ground. Only five of ten structures planned in the SuAsCo watershed have so far been completed. The completed structures performed very satisfactorily and provided a considerable reduction in flood damages.

Hudson Combing Company (Arthur Feldson) reported that they had about one to two feet of water in the plant; damage loss was substantial, but he felt that $30,000 worth of stock was saved because the water did not get higher.

Mr. Harry Dyson of Thomas Taylor Company felt that the water in the plant on Cherry Street, Hudson, Massachusetts, was two feet below the 1955 storm. In 1955, he said, the plant was shut down one week. In 1968, the shutdown time was only overnight. This was for minimal cleanup. In 1955, the Company lost $250,000 in goods. In 1968 the loss was only $50,000. Mr. Dyson also feels that when the Tyler structure is completed the plant will receive almost total protection. He is extremely enthusiastic about the SuAsCo project.

The towns of Northboro and Shrewsbury received substantial benefits from the completed SuAsCo structures. The Machinery Electrification, Inc., Jersey Mills, Inc., and Gothic Craft Corporation plants on Hudson Street, Northboro, would certainly have sustained costly flood damage had it not been for the SuAsCo dam.

An editorial in the Worcester Telegram of March 20, 1968, stated: "The series of flood control dams and other projects in central New England may have paid for themselves in a couple of days." In the Worcester Telegram of March 19, 1968, the following statement was made "Two flood control dams (in Northboro) on the SuAsCo project were reported easing the threat (of serious flooding)."

The newly constructed Delaney multipurpose flood prevention and fish and wildlife impoundment is providing excellent hunting conditions for waterfowl as a result of the large amount of acorns and other seeds that are floating in the permanent pool area.

MICHIGAN

Sanborn Creek

The beautiful view from the modern St. Catherine Church on Nickolson Hill is Sanborn watershed. The watershed consists of 4,230 acres or 6.6 square miles of Class II and III land in the Holcomb Creek tributary of the South Branch of Devil's River in Alpena County, Michigan. All of the land in Holcomb Creek is privately owned for agricultural forestry and wildlife uses.

There are 12 miles of county and township highways in the watershed. Since the 2.8 miles of channel improvement and three multiple-purpose drop spillways were installed in 1963, it has resulted in an annual saving up to $1,000 on road repairs according to James McQuarrie, Supervisor. Damage from flooding was annual. Sanborn Township Board has installed adequate roadside drainage and constructed 3 miles of hard-surface road in 1965.

The Sanborn watershed has served as a model and a tour stop for youth and community groups in Alpena and adjacent counties.

The Sanborn watershed "community" has proven to be multi-county in scope. The community concept in Sanborn watershed and its accomplishments have helped adjoining localities do the same thing. It is because of this watershed that the people in Truax Creek watershed initiated a Public Law 566 project.

Working in unison, the Sanborn community in Ossineke, Michigan, located 12 miles south of Alpena, again was first in the county to complete a Sanborn township zoning ordinance in 1969.

Misteguay Creek

In May 1969, a large storm hit the Misteguay watershed. Five inches of rain fell in less than 24 hours. This is the largest rainfall since the project was completed. During this storm, all three structures were holding back the maximum amount of water.

Long-time area residents reported that the flat, highly productive farm land below the structures, which contained planted sugar beets and potatoes, would have been covered by 2 feet or more of raging water had the project not been installed. It has been estimated that the crop loss alone during 1969 would have exceeded $80,000 if it were not for the watershed project.

The Porter Creek of the Misteguay has not gone out of its banks since the completion of the project. This frequently took place before. No water damage has been caused to crops because of flooding.

Additional acres of high value crops, sugar beets and potatoes, are being planted each year. Land treatment is progressing in this area at a rapid rate, with nearly 100 percent of all planned treatment installed. More than 10 new homes have been constructed in the area during the last year. The Misteguay Creek watershed shows signs of a healthy, growing economy.

MINNESOTA

Hawk Creek

During the spring of 1969, Minnesota experienced some very serious flooding from snowmelt runoff.

The Hawk Creek P[illegible] watershed performed in an excellent manner. Most flows were containe[illegible] in the project channel, except where snow blockage pushed water out [illegible] crossings temporarily until the flow could remove the snow. Comment[illegible]al leaders in the watershed speak well of the project.

George Grussing, [illegible]an of the Watershed Steering Committee, stated: "Hawk Creek did ve[illegible]ll this year; no flooding to speak of."

Councilman Sailor Thissen of Clara City said: "If it hadn't been for the Hawk Creek project we in Clara City would have been flooded. In my mind the Hawk Creek has paid for itself many times."

Councilman Harold Swanson of Clara City stated: "We were well pleased with the way the Hawk Creek watershed project worked for us this year. We had no flooding problems at all."

Shakopee Creek

The two floodwater-retarding structures and the channel improvement in the Shakopee Creek watershed performed very well during the large snowmelt flood this spring. There was a deep and sustained flow over the emergencies of both floodwater-retarding structures. The emergency spillway which was designed to start operation with flows of greater than a 25-year frequency event, both operated for extended periods of time. There was only minor scour at the outlet on both of the emergencies. Throughout the Shakopee Creek watershed there were over 80 inches of snow before the snowmelt began.

The storm peaked on April 12 and the reservoirs were retarding the runoff on April 24.

On April 24, 1969, Mr. Roy Stattler, who owns farmland near the Shakopee Lake floodwater-retarding structures, stated: "Shakopee Creek did a good job of controlling water this year. If the channel was like it was before improvement, we would still have our farms underwater."

MISSISSIPPI

Beaver Dam

A 160-acre tract of land, owned by the American Legion and located within the boundaries of Beaver Dam watershed, has been developed into a recreation area and outdoor laboratory. The area consists of approximately 100 acres of woods and 60 acres of cropland. The woods area is divided by one of the drainage district ditches. The right-of-way along this ditch has been utilized for plantings of wildlife food and cover. A nature trail in the shape of the figure "8" was developed in the woods. This trail, by use of markers, calls attention to the various species of trees—common and scientific names—as well as other points of interest such as den trees.

The park area consists of metal and concrete pavilion, barbeque pits, picnic tables, parking area, and sanitary facilities.

Black Creek

Recently, a Holmes County businessman and farmer opened a post-peeling plant in Lexington which is in the Black Creek watershed. He purchases pine posts from local farmers, peels them, and ships them to a treating plant. Cutting and hauling posts, along with operation of the plant, gives employment to approximately 35 men. This plant located in Lexington because of the thousands of acres of pine trees planted in the flood prevention area.

Another wood-using industry (a manufacturer of bedroom furniture) plans to begin operation in the Black Creek watershed at an early date. The plans include the construction of a 2.5 million dollar plant in Lexington and will employ approximately 250 people, principally Negroes.

To provide facilities for purchasing and shipping pulpwood from this area, a large paper company has recently renovated and enlarged their pulpwood yard in Lexington.

Calhoun County SWCD

Approximately six out of 10 acres in Calhoun County Soil and Water Conservation District is in timber. Since 1950 about 32 million pine and hardwood seedlings have been planted in this district. Timber productions have gradually increased due to these plantations. As of now there are nine permanent or stationary businesses in the county concerned with the manufacture of forest products and there are 15 out-of-county manufacturers using Calhoun County wood products. These industries employ 41 percent of the industrial labor force in the county. In addition, approximately one-third of the county agricultural labor force is employed part time in producing forest products. Approximately 32,000 acres of gullied, steep and severely eroded land have been stabilized with trees. This land will add dollars to the income of small landowners for many years, along with many other continuous benefits for the district.

Indian Bayou

A 550-acre greentree reservoir was constructed on a 16th section as result of Indian Bayou watershed drainage ditches. A new ditch was constructed on the east and west side of the section and the spoil placed next to the woods for levees. Under an agreement signed with the Sharkey County Board of Supervisors, the Soil Conservation Service surveyed and designed levees and drainage on the north and south sides. The Mississippi Game and Fish Commission constructed these levees and installed a pump to flood the area each fall. The area was opened for public hunting in 1969.

MISSOURI

East Fork of Big Creek

Structure A–4 has functioned well and on many occasions reduced flooding on the flood plain and completely eliminated road and bridge damage to county and state roads.

In 1965, the Public Water Supply District No. 1 of Harrison County was organized to permit the development of a water system for the communities of Eagleville, Blythedale, and adjacent areas. The 37-acre sediment pool of watershed structure A–4 is now the source of water for this community.

The citizens of Eagleville and Blythedale are now enjoying running water in their homes. Some houses will become modern for the first time. This water system is financed by a Farmers Home Administration loan to the Water District.

Structure A–4 is also used at a rate of 50 visitors per day for fishing, boating, and picknicking.

South Fork of Blackwater River

During the period of July 19–29, 1968, 8 to 11 inches of rainfall were recorded throughout the watershed. As much as 6 inches were reported in 6 hours. Streams below the three floodwater-retarding structures in the upper reaches were contained within their banks for as much as 2 miles downstream or until uncontrolled water entered.

A long-time resident trapper of the area reported there had been "live" water in the stream all year since the floodwater-retarding structures were installed.

Floodwater-retarding structure A–1, completed in 1964, has a permanent pool of 23 acres. The landowner allows fishing, water skiing, and picnicking by permission. He estimated over 1,000 people including church and civic groups, family reunions, and individuals use the area each summer.

MONTANA

Box Elder Creek

Under the joint sponsorship of Sheridan County Soil and Water Conservation District and the city of Plentywood, construction of a multiple-purpose flood-prevention and fish and wildlife dam was complete din 1963. Recreational facilities were completed in 1966. The project provides flood protection to the city of Plentywood and adjacent properties. A permanent pool of 92 surface acres provides recreational opportunities for trout fishing, boating, water skiing, and swimming. Over 14,000 people used the lake in the first 3 months after it was filled in 1964. This was several times the amount used for evaluations in the work plan. Trout fishing extends throughout the year with heavy use of ice-fishing shanties during the winter. Flood prevention afforded by the dam stimulated unexpected home construction in the old flood plain which in turn stimulated secondary economic activity in the watershed.

City of Shelby

With completion of the city of Shelby multiple-purpose flood prevention and recreational watershed project, Shelby residents no longer fear floods from Sullivan's Coulee caused by cloudbursts or chinook snowmelt. As a result of flood prevention, a new grocery market, a garage, and a roller skating rink were built. Construction of the Border Patrol Station was completed. Three new residences were constructed in the old flood plain and many home improvements were made.

This project contains a permanent recreational pool of 50 acres with provisions for boating, fishing, and swimming. In 1969, fishing pressure was so heavy that the pool had to be restocked twice. The recreational development, which also includes picnicking and first-class camping facilities, is receiving heavy use from tourists enroute to Glacier National Park on U.S. Highway #2 and enroute to the Alcan Highway on U.S. Interstate Highway #15. During the first summer of the campground's use, the number of pickup campers and trailers has been averaging 10 to 15 units per night. Tourists using the camp have been from every State in the Union and every Province in Canada. One of the most frequent comments is that watershed campgrounds need more publicity in highway signs and tourist information publications.

The reservoir serves as a nesting area for ducks and as a rest stop for Canadian geese during their migration. Ice skating, winter ice fishing, and snowmobiling are pleasant unexpected uses of the reservoir.

NEBRASKA

Mud Creek

Rockford Lake, a PL–566 recreation development, was filled with water in 1968. The lake has 150 surface acres and is widely used by the community even though the facilities are not all completed. The lake and park area has provided church groups, boy scouts, boat clubs, and individual campers with an opportunity to enjoy water-oriented recreation not previously available in their water-short part of Nebraska. It is common to see fifteen boats on the lake at one time. Over 1,000 people and 25 campers have used the Rockford Lake recreation area on some weekends. Green thumb employees spent over 16,000 hours planting trees and grass and making other improvements around the lake.

Gage County, with all or parts of seven authorized watershed projects and 80 completed floodwater-retarding structures including Rockford Lake, reports an 800 percent increase in boat and motor sales since 1960. The Chamber of Commerce of Beatrice, a thriving community of 12,000 and the County Seat of Gage County, points to Rockford Lake and other recreational facilities made possible by PL–566 structures as an asset when recruiting new industries and attracting new workers. Twelve Gage County farmers were able to save their crops by using some of the conservation pools as a source of water for irrigation during the past abnormally dry summer.

Wildhorse

Since Wildhorse watershed had been completed, the 60-acre permanent water behind structure 14–A has been stocked with fish and provided 720 man-days of trout fishing during 1969.

Another benefit from the project resulted when U.S. Highway #26 was rebuilt north of the town of Bayard. The country was able to bridge Wildhorse Creek with a much less expensive structure than would have been required had not floods on Wildhorse Creek been under control.

The Bayard Ditch Company was also able to save money by replacing a high maintenance cost irrigation flume with an inverted siphon which should prove to be practically maintenance free. Flooding in the past had made this type of installation impractical due to streambank erosion being caused by uncontrolled flood waters.

Wilson Creek

Authorized in 1960. Fifty-four of the planned 88 flood prevention and erosion control dams have been constructed. Over 1,000 man-days of annual fishing are provided on structures with harvestable fish. Boating, water skiing, and picnicking are enjoyed on many of these man-made lakes. Over 300 man-days of fall hunting are being provided over and around the water areas. Thousands of migratory fowl spend 2 to 3 weeks on a number of man-made lakes each spring as they make their way northward to nesting grounds. This has provided considerable enjoyment for local people.

Local businessmen assert that the PL–566 watershed program has created considerable additional business for them, not only among local people but because of the attraction of visitors. Some seasonal employment has been provided, also. There are now over 25 power boats in the community. Landowners on which three structures are located are considering either the construction of cabins or leasing arrangements for appropriate shoreline areas.

Probably more significant is the total community environment improvement that results from the combined land treatment and works of improvement program. The Wilson Creek Watershed Conservancy District and private landowners have made tree and shrub plantings on lands adjacent to several structures which provide excellent habitat restoration areas and food and sanctuary for game and song birds as well as aesthetic value to the community. County and

State highway departments are constructing new and better highways and individual landowners have and are improving their lands and farmsteads. Thus, the entire community takes on a refreshing and pleasing "new look," while at the same time restoring and preserving the fundamental economic base.

NEVADA

Peavine Mountain

Installation of project measures has stimulated private investment in the flood plain below the watershed structures. Areas formerly shunned by home buyers and building contractors are now being developed. Resale values on older homes have increased and approximately 100 new homes have been constructed. The new homes have an estimated value in excess of $2 million.

No large storm events have occurred since completion of construction but a significant amount of sediment has been trapped and kept off city streets on several occasions. The city of Reno is preparing a design for a Pitch and Putt golf course around the perimeter of the Lower Peavine floodwater-retarding structure.

Upper Meadow Valley Wash

Flood flows from snowmelt in 1969 were the largest that have occurred since the debris and grade stabilization structures were completed in 1964. The structures prevented an estimated $15,000 in damages by controlling flood flows, sedimentation, and channel degradation. Considerable sediment was kept out of the state constructed Eagle Valley Recreation Reservoir downstream from the watershed.

An unexpected benefit from the Francis Grade Stabilization Structure is the use of the sediment pool as a spring and fall resting area for migratory waterfowl. This has increased the hunting opportunities in this area.

NEW HAMPSHIRE

Baker River

Site 2 of this watershed was designed as a multiple-purpose recreation and flood prevention structure. This site provides a 37-acre recreation pool 28 feet deep.

The New Hampshire Fish and Game Department has stocked the pool with trout. Even before a boat-launching ramp could be constructed, 8 to 10 boats were tied up around the pool area. Fishing has been excellent. Geese use the area as a resting place and several families of ducks have grown up on the pond.

Roads across the dam and around parts of the pool have been constructed by the sponsors. In the near future a boat-launching ramp and picnicking facilities will be constructed.

During the spring of 1969 one-half the flood storage in this reservoir was used to provide flood protection to roads and communities downstream of the site.

Souhegan River

For years the town of Greenville (population 1,250) was plagued by water shortage problems. Often during the summer and fall it was necessary to truck water from nearby towns. Watering of lawns, washing cars, and other water-consuming uses were prohibited.

Now that the multiple-purpose water supply and flood control dam 12A has been completed, large quantities of water are available for Greenville and surrounding towns.

Since completion of the reservoir, a plastics plant has moved into town and became a major water user. The town will soon award a contract to construct a swimming pool. In the past such a pool would have been considered a waste of water.

Site 12-A, along with sites 13, 14, 19 and 35, has virtually eliminated any flood threats to Greenville and downstream areas. The 108-acre reservoir and associated land areas provide some very fine scenery and wonderful wildlife habitats in this area in addition to a safe yield of 2 million gallons of water per day.

NEW JERSEY

Stony Brook

Increased recreational use of the five sediment-control impoundments in this project prompted the sponsors to take advantage of opportunities to develop needed recreational facilities. The plan has been amended to include an additional reservoir area with recreational facilities for fishing, boating, picnicking, and other sports including a golf course. Acess roads, parking lots, foot bridges, water supply, sanitation, and electric power are included. The facilities will handle 400 visitors a day.

Existing reservoirs have been used by church groups, scouts, civic clubs, and others for picnics, cookouts, and other outdoor activities. A soil and water conservation 4–H Club uses one of the reservoirs for fish management studies. Rockwell Company's "Dad's Club" used one for a fishing contest for 90 boys. Ringos Scout Troop 65 uses one to give training in canoeing before the scouts go to camp to obtain their merit badges. Fire companies use the reservoirs for drilling. Rural Ramble Tours use them for a picnic lunch stop. A totally unexpected delight to the local landowners has been the sight of Canadian Geese using the reservoirs as rest stops during their migration.

Two landowners surrounding the largest impoundment, 30-acre Honey Lake, joined forces to develop formerly poor pasture and woodland into house lots. With trees and utilities provided, one acre lots with lake frontage are now selling for $30,000. The increased land values were unimaginable to these two landowners before the advent of the impoundment. Stocked with bass and bluegills, the lake is used for fishing, canoeing, and sailing.

Paulins Kill

The completion in 1963 of the largest of the three impoundments above the town of Newton created considerable change in land values. One owner of previously poor brush and pasture land, valued around $300 an acre, decided to convert to a 90-unit housing development. With roads and utilities provided, half-acre lots sell for $3.00 to $4,000. Homes overlooking the impoundment range from $15,000 to $40,000. Homeowners use the sediment pool for swimming. Another owner built garden apartments on land previously subject to flooding. Small businessmen improved their properties. One built a new service station.

Town Bank

The Mayor of the city of Salem reports the success of the channels and pumping plant was the initial motivation for an $800,000 urban renewal program. The city is taking on a new look with new apartment buildings and improved industries. The school has a new ball field on previously flooded land. Former gravel roads are now black-topped streets and some new streets have been built. A former swamp is mowed and set aside for a future park. The success of the project motivated an adjoining community to establish a similar project for agricultural water management. It also motivated the City Council toward a large, complex multiple-purpose project on Salem River involving recreation, flood control, irrigation, fish and wildlife, and water supply.

NEW MEXICO

Tortugas Arroyo

Since this project was completed in 1962, four floods have occurred. The structures have prevented an estimated damage of $45,000.

Flood control on this arroyo made it possible for New Mexico State University to build a golf course along the arroyo bottom, thus converting wasteland into a worthwhile recreation facility.

A new subdivision, Pecan Valley Acres, has developed in the protected area. Twenty-five to thirty new homes, selling for $15,000 to $20,000, have already been constructed. Plans for at least this many more homes are underway.

Tramperos Creek

In 1965, two floods occurred. Structures completed in 1961 provided protection to eleven small privately owned storage and diversion dams, 1,500 acres of meadow land, roads, bridges, and creek crossings, and hundreds of tons of baled hay stored in the field. It is estimated that at least $55,000 in damages would have occurred without the structures.

Since 1961, 650 acres of irrigated cropland have been developed. The small reservoirs that serve as diversion points for the irrigated fields are stocked with bass, serve as nesting spots for ducks and other waterfowl and have aided the deer population by providing watering locations.

Many miles of the formerly dry channel now have a small perennial flow. This has increased the wildlife population, principally waterfowl, many times over.

Ponds associated with this small flow have been stocked with bass and catfish which offer recreation for both fishermen and picnickers in an area where no prior facility existed.

Livestock water wells along many miles of reach now produce adequate amounts. Also, new wells are now being drilled which produce, and many in areas which were formerly dry.

Santa Cruz River

Installation of structural measures in this project were completed in 1962. Flood damages previous to the installation of these measures were sustained almost every year on one or more of the tributary arroyos and on the main stream of the Santa Cruz River. Damages occurred to highways, residences, irrigated farmland, irrigation canals and headings, roads and bridges; and sediment caused damage all the way to the Elephant Butte Reservoir.

A storm hit the Santa Cruz River watershed on September 11, 1969. This was the largest storm since installation of structural measures was completed. With this inflow and the amount of water that fell on the watershed it is estimated that flood damages in the vicinity of Chimayo would have exceeded $185,000 without the project.

NEW YORK

Cowaselon

Muckland owners show faith in the project by substituting tile drains for the open ditches outletting into the enlarged stream channels. Food processors in Canastota continue to expand their operations in the belief that the area protected by the project will provide them with a steady supply of quality vegetables.

Ischua Creek

Two industries, the Ontario Knife Company and Stardell Products in the village of Franklinville, had planned to relocate. With the installation of the project, both companies have remained and have increased their employment by 50 percent over the last 10 years.

One new industry, Barrett-Kegeo Corporation (office equipment), has located in the village because of the project.

More intensive use of the flood plain has taken place and the per acre value of flood plain land has increased. A new high school has been located on the flood plain and also the Ischua Valley Country Club has built a new course due to the application of this project.

One structure, a multiple-purpose recreation and flood prevention, is now under construction and since construction started, one new subdivision has taken place over the proposed lake and one landowner has changed his enterprise from dairy to a comping venture. It is estimated that this lake will supply 15,000 recreation-use days.

There is also an influx of new people from the Buffalo area buying land in the flood area for summer homes which undoubtedly is having a great effect on the real estate prices.

NORTH CAROLINA

Ahoskie Creek

The Ahoskie Creek Watershed project has saved the town of Ahoskie $30,000 in the cost of sewerage treatment. The savings resulted from elimination of flooding of the treatment facilities. Channel construction reduced the flooding. The reduction of flooding has made possible a sub-division development of high cost housing in the town of Ahoskie. Before the project was completed this area was subject to flooding. The county tax collector reports that the county tax base was increased by $300,000 in this one sub-division as a result of the project. The town tax base was increased by the same amount.

Caw Caw Swamp

The travelway constructed from the spoil beside the channel has provided access to the Waccamaw River for boating and fishing. This section of the river was previously several miles from a boat landing or walk in. The deepened and widened channel has provided fishing for about two miles up from the Waccamaw River. One landowner has begun the development of a "green tree" reservoir.

Conetoe Creek

Extremely heavy rain during May 1969 caused flooding in almost the entire watershed. Because of the channel functioning as designed, replanting of an estimated 17,700 acres of crops was not necessary. The estimated cost of replanting, had it not been necessary, plus the value of subsequent yield reductions, would have been $336,300. A side benefit from this project is quite unique. Because of experience gained by local people working together in a common interest, the citizens in the small town and adjacent to Conetoe organized themselves into the Conetoe Community Water Association. Through this association and assistance from the Farmers Home Administration, they have been able to install a community water system serving about 100 homes and businesses. Because of this water supply, the area is developing and people are moving into the rural community rather than moving out. The chairman of their water association, a supervisor of the soil and water conservation district, was quite active in the establishment of the watershed project.

Individuals have been observed using field glasses to do their bird watching along the improved channel.

NORTH DAKOTA

Forest River

The Forest River watershed includes the North Branch, Middle-South Branch, and Lower Forest. The North Branch watershed was completed June 1969. In all three watersheds six dams and 35 percent of the channel improvement have been completed, resulting in many acres of farmland being protected from floodwater and furnishing local water-based recreation.

In a survey conducted in the spring of 1969, it was found that the North Branch Forest River watershed provided $70,180 of flood preventing benefits. The 1969 snowmelt would have flooded about 11,000 acres of land of which 9,200 is cropland.

Three multiple-purpose dams now provide fishing for people who used to travel up to 150 miles for this form of recreation. Many people now travel 50 to 60 miles to these new impoundments that are stocked with either trout or northern pike. Ice fishing has become a popular sport at the Whitman Dam, and good creel limits are also obtained in the spring and summer. The Bureau of Outdoor Recreation has participated with the local people in further developing the area adjacent to Whitman Dam for recreation.

Many of the Air Force personnel from the Grand Forks Base visit the three multiple-purpose dams for fishing and recreation. Local residents in the small towns are also enjoying the fishing that is "next door".

Two local merchants have added boats and water skiing equipment to their existing businesses.

Excellent progress in applying land treatment practices has further demonstrated the confidence local residents have in the flood prevention and protection from erosion hazards provided by completed projects.

Tongue River (Pilot)

Icelandic State Park near the town of Cavalier was developed as a result of building Renwick multiple-purpose dam. A local resident donated 190 acres of natural woodland to be established as an arboretum. An additional 280 acres provided by the sponsors offer plenty of room for camping and recreation. Renwick Dam has a surface area of 204 acres. The State Game and Fish Department has stocked the lake with fish. A nine-hole golf course borders one side of the manmade lake. The State Park provides a caretaker and additional help to improve and keep up the recreational facilities. Local residents of Cavalier used to travel 65 miles to the nearest lake in another state, but now enjoy a beautiful park and lake only 6 miles from their town. More than 80 members have joined the local boat club.

State Park visitations are on a steady increase. More than 2,300 people attended a one-day Centennial Pageant at the Icelandic State Park in 1968.

Two small fertilizer plants have been established employing six people. A bean storage plant has recently been built employing two people. A soil testing laboratory is being constructed to furnish more precise soil management directly to farm operators. Two boat dealerships have begun since completion of the Renwick Dam.

Although the spring and summer precipitation almost doubled the normal rainfall, the 10 dams and 40 miles of channels were never exceeded in capacity.

OHIO

Margaret Creek

This 38,600 acre watershed is located in the southwestern part of Athens County.

One multiple-purpose fish and wildlife structure including a 48-acre lake was completed in September 1967. This structure was cost shared by the Division of Wildlife, Ohio Department of Natural Resources. The Division of Wildlife has purchased 421 acres of land surrounding the lake. They began stocking the lake in the spring of 1968 and the lake was opened to the public for fishing in July 1969.

Two more structures were completed in the summer of 1970. One of these is a multiple-purpose structure designed for flood prevention, water supply, and recreation. The water supply is being planned for the Village of Albany, the new Ohio University airport now under construction, and much of the remainder of the Conservancy District. The surrounding rural area served by the water system will cover approximately 40 square miles and will include 150 miles of pipeline. At present 960 residents have signed user agreements and paid their tap fee.

In addition, 25 commercial establishments have signed user agreements. They include one motel, apartments, and trailer courts which total approximately 300 individual taps. The commercial taps also include General Telephone Company, Athens Country Club, three schools, three commercial farms, and one nursery. The Le-Ax Water Distributing Corporation has awarded contracts for a treatment plant and distribution system for approximately one and one-half million dollars. It is planned that the contract for the recreation development for this site will be let this fall.

Due to the topography of the area and the planned water supply, new housing has doubled in the northeast portion of the watershed and a number of new housing developments are under planning. The planned water supply and recreation areas were influential in the selection of a site for a new Ohio University airport and golf course which are now under construction at the edge of the watershed just southwest of Albany.

On May 24, 1968, the watershed received a 4-inch rainfall in 12 hours. Structure 6 stored 515 acre-feet of floodwater (73 percent of total). No flooding occurred in the valley immediately below the structure. Township Road 29 was not damaged as it often had been prior to the construction of the dam.

Marsh Run

The 20,000 acre watershed is located in the southern part of Huron County and northern part of Crawford County.

The works of improvement provide flood protection, drainage, and irrigation water to an area of muck soils that is producing highly specialized vegetable crops.

On July 12, 1966, a 4-inch rain deluged the area, but with the fabridams deflated, the channels easily contained the flow and no flood damage occurred. Again in 1967 and 1968, smaller rains occurred that proved the value of the project. Then on July 4, 1969, a storm dumped 4-inches of rainfall on the area. Again, the channels contained the flow with no flooding on the adjacent muck.

One of the vegetable growers stated their production has increased approximately 40 percent due to flood prevention and having adequate irrigation water. This is reflected by their employee role increasing from approximately 200 before the project to a present day 310 people. Other growers have had similar increases.

The numerous tours by groups of local people, civic groups, and organizations as well as groups from distant points, show the great interest in the unique water management aspects of this project.

West Fork Duck Creek

Tourist business is bringing unexpected prosperity to a flood prevention project area in southeastern Ohio.

Wolf Run Park is a joint venture of the Ohio Department of Natural Resources, Division of Parks and Recreation, and the Soil Conservation Service. The 220-acre Wolf Run Lake is a multiple-purpose flood control, water supply and recreation lake which was built in 1966 as part of the West Fork Duck Creek Public Law 566 project.

The Soil Conservation Service and the Ohio state agency joined forces in building the 172 campsites, beach, boat launching area, roads, and water treatment and sanitary facilities. The park was opened to the public in 1968, and in 1969, 90,000 visitors used the park facilities. In 1970 over 174,000 visitors used the park facilities.

The lake has been stocked with fish and fishing is good.

The land for Wolf Run Park was purchased for an average price of $63 per acre. A landowner across the road from the park was recently offered $500 an acre for a 12-acre tract, but he did not sell because he believes the value will continue to increase.

The water supply line from the newly constructed Caldwell Lake will be installed around two sides of Wolf Run Park to provide water for a new residential area under development.

An ice cream concession was built ¼ mile from the park entrance in 1969. The ice cream equipment installers, noting the rural setting of the concession, said "You'll go broke, there aren't enough people here to support a business like this." It turned out that business was so brisk from Wolf Run Park users that the owner had to put his employees on 6-hour shifts because 8-hour shifts were too strenuous.

Two full-time bait stores and a grocery have been established to serve the fishermen coming to Wolf Run Park. The income from these stores contributes to the support of three families near the park.

A new airport was recently constructed between the two branches of the lake, opening access to the area for vacationing and industrial air travelers.

Local college students are employed as park rangers and lifeguards during the summer months. The park operation and maintenance provide full-time employment for four men.

The flood prevention benefits from the Wolf Run structure are obvious to the people in the valley. However, other benefits, while perhaps not as obvious as flood prevention, are just as real and just as important to the economic development of the Duck Creek Valley.

OKLAHOMA

Fourche-Maline Creek

The Fourche-Maline Creek watershed project in eastern Oklahoma is a showcase of multiple-purpose development of water resources. The 195,360-acre project was authorized in 1959. The plan for the project outlined the construction of 14 floodwater-retarding structures and the conservation treatment of land in the watershed. Twelve of the structures have been completed.

Site 7 includes 3,000 acre-feet of water for municipal use by the city of Wilburton. The lake also is the water supply for the Latimer County Rural Water District 1 which furnishes water for 400 rural water users.

A floor-covering plant, Congoleum Industries, costing some $6 million has been constructed and is hiring employees to begin production. Without the water from the multiple-purpose structure on Fourche-Maline Creek, this plant could not have been located in the Wilburton Community. It is expected some 300 employees will be working when peak production is reached.

Two other completed lakes in the project provide flood protection and water for recreational-wildlife use. The Oklahoma State Planning and Resources Board participated in construction of Site 4 in Robbers Cave State Park. The lake was stocked with fish in 1964 and has provided public fishing for the past three years. The Oklahoma Department of Wildlife Conservation sponsored storage of 1,516 acre-feet of recreational water in Site [illegible], also located in Robbers Cave State Park.

Rock Creek

Site 2 on the Rock Creek watershed project is a multiple-purpose reservoir sponsored by the city of Talihina and the Talihina Soil and Water Conservation District.

The 190-acre lake, 1½ miles from Talihina, has become the number one recreation attraction for local people. The lake was stocked with fish in 1966 and opened for public use in 1968.

The entire 620-acre complex is open to the public for recreational use at no charge. The Oklahoma Department of Wildlife Conservation controls hunting and fishing regulations. Ducks, quail, squirrel, and deer can be bagged from the area.

Besides recreation and flood prevention benefits. Talihina now has a water supply envied by cities of much larger size. Water for three rural water districts is supplied from this structure and Talihina will never have to say "no" to industry due to shortage of quality water.

OREGON

Skipanon River

For many years tidal action, accompanied by heavy winter rains, caused flood damage on approximately 1,[illegible]00 acres of valuable peat land along the Skipanon River. The damage was so extensive that some 50 farms had to abandon about one-half of their productive cropland. Nearly every farmer had to supplement his income with part-time employment.

In 1960, a watershed work plan was completed by the local people under the authority of Public Law 566. The structural works of improvement include a flood gate near the mouth of the Skipanon River, within the city of Warrenton; enlargement of the Skipanon River channel; and a water level-control structure at the outlet of Cullaby Lake, to make use of flood-control capacity in the lake, to provide a controlled water level for recreational use, and to help minimize subsidence of the peat soils. The work plan was amended in 1963 to include construction of recreational facilities on Cullaby Lake.

The main flood gate and protective dike structure was completed in 1963. When a tidal wave struck the Pacific Northwest area on Good Friday, March 27, 1964, as a direct result of the earthquake in Alaska, this structure prevented upstream inundation of land and damage to buildings, public roads, and bridges. The tide level reached an unexpected high of about 11.5 feet.

The channel-improvement part of the project has provided a new lease on life for the farms with better water management and is encouraging new industry along the river. The Northwest Aluminum Company has acquired 1,900 acres of land, part of which is affected by the watershed project, to build a $140 million plant. This plant is expected to employ 1,000 men when completed. Other connected industries are expected to locate close by in future years.

With the stabilization of the river flow, a new trailer park and a housing development providing 58 condominium homes and 65 private homes are in the process of construction. Most of these will have boat access to Cullaby Lake through a 2,600 lineal foot man-made canal.

The Cullaby Lake recreational development was made possible by building a water-control structure that permits using the 200-acre lake for recreation. Before this, Cullaby Lake had been used little for recreation and had few recreational facilities. A boat basin and launching ramp have since been installed and sand hauled in to provide a swimming beach. Drinking water, fireplaces, and restroom facilities are provided. The Astoria Regatta Association used the lake and facilities again in 1969. Over 2,000 people attended the celebration the last two years. They plan to use this area each year for their celebration. Recreation also includes picnicking, hiking, fishing, and water skiing.

Sutherlin Creek

The history of Sutherlin Creek is one of recurring floods. Before the project began, damaging floods had been seen in the streets of Sutherlin and on surrounding farmland as many as 13 years out of 14.

The plan included a multiple-purpose dam on Sutherlin Creek 2½ miles east of Sutherlin for flood protection and irrigation; a multiple-purpose dam on Cooper Creek 2½ miles from its confluence with Sutherlin Creek for flood protection, recreation, and municipal-industrial water supply, and about 21,000 feet of channel improvement.

Plat I Dam was completed in November 1966 and furnished flood protection that winter. In the spring of 1967 and 1968, the Oregon Game Commission planted over 5,000 legal-size rainbow trout in the lake. People come for miles to enjoy excellent trout fishing where before there was a dry streambed during the summer months. Water-skiing enthusiasts and the boating public found a water-based recreation area much to their liking. The Douglas County Park Department put in a temporary boat ramp, then a permanent concrete boat ramp as the need increased. Permanent rest room facilities were also installed by Douglas County to serve increased public demand. This benefit from recreation was not anticipated in the watershed work plan and has exceeded 2,100 visitor days per weekend in 1968.

As a result of the unexpected benefits on Plat I Reservoir, the Douglas County Commissioners have almost doubled their planned recreational facilities for the lake behind Cooper Creek Dam which is now under construction.

Twenty-one hundred feet of channel improvement through the town of Wilbur was also completed in 1966. Ramey Self-Loader Corporation located their West Coast plant in Wilbur after flood protection was assured. This plant was expanded into a multi-million dollar industry since its establishment here.

Land values in the vicinity of the two reservoirs have increased more than 150 percent since the watershed plan was put in operation.

PENNSYLVANIA

Marsh Creek

The borough of Welsboro in Tioga County is experiencing a real change since the three flood prevention structures and associated recreation facilities planned for Marsh Creek have been completed. These dams essentially eliminate all flood damage in Wellsboro and vicinity. They are also providing the community with water and outdoor recreation. Since 1967 the project has already saved Wellsboro from four damaging floods.

Site PA-600 is a single-purpose flood prevention structure with a five-acre sediment pool. The pool has been stocked by the Pennsylvania Fish Commission and provides many hours of enjoyable fishing for local residents.

Site PA-601 is a multiple-purpose recreation and flood prevention structure. The 60-acre lake is only five minutes from Wellsboro and will provide opportunities for fishing and boating. Picnic facilities are provided adjacent to the lake for 19,000 visitors annually.

This lake replaces poor pasture land that was covered with wetland grasses and unsightly brush. It lies adjacent to a main highway from southern Pennsylvania, and exemplifies projects of resource development, environmental improvement, and esthetics to many travelers as well as local residents.

Site PA-602 is a multiple-purpose, water supply and flood prevention structure. Because of this dam, the flood risk on Charleston Creek has been reduced to a minimum. The Borden Milk Company and Corning Glass Works, located in the flood plain below this structure, have expanded their operations and increased their employment by three percent.

The reservoir contains 313 acre-feet of water supply for the borough of Wellsboro which, until the dam was constructed, had a limited water supply for existing development. During certain periods industrial production had to be curtailed. This 40-acre lake has been stocked with trout by the Pennsylvania Fish Commission and has already developed into one of the favorite fishing spots in the area.

Site PA–602 will sustain the necessary growth, both industrial and residential, in the borough and surrounding area for a viable economy.

Many local residents claim the watershed project was a catalyst in improving Wellsboro. During the time the project was planned and shortly after its completion, the following took place: the community voted to purchase the local water company; new street lights were installed and the main street was completely rebuilt; several companies expanded their facilities and increased job opportunities. New store fronts were built and the community took on a fresher look. Since Wellsboro is the center of a growing tourist area, the newly created recreational opportunities have given the entire area an economic boost.

SOUTH CAROLINA

Maple Swamp

"If it hadn't been for the open channels on Maple Swamp taking the water off Friday, I believe the water would have been two feet higher in the town of Dillon Saturday morning and the damages would have been extremely costly to merchants and homeowners," said Osborne Wallace, Dillon Town Councilman, after a 10.5 inch rain fell in a 24-hour period in the Maple Swamp watershed on August 1 and 2, 1969.

A study by the Economists and Engineers of the Soil Conservation Service revealed that agricultural damages from this one storm amounted to about $5,000, but without the improved channels, losses would have approached $55,000.

Damages estimated to be $6,000 were reported in the urban areas of the watershed. Without the protection of the channels the urban loss due to flooding would have exceeded $100,000. Benefits of $100,000 to the town of Dillon plus the $50,000 to farmers is three times greater than the total $50,000 construction of the 10 miles of improved project channels.

As an added benefit, the watershed directors have planted a fifteen foot strip of wildlife cover and food along one side of the channel. This provides access for hunters and fishermen as well as for the directors to do needed maintenance.

Beaverdam Creek

In the Beaverdam Creek watershed the Commission of Forestry assisted the landowners with erosion-prevention work through recommendations of the best methods of woodland management.

Because of the work done on the Beaverdam watershed, U.S. Plywood-Champion Paper Company has been able to clear the bottoms that border the creek and plant them in pine trees. Prior to the watershed's completion it was a waste of time and money to consider any clearing or planting of these bottomlands.

Another landowne rwho has benefited by the watershed is John Rainsford. He is on an intensified woodland management program. He is clearing approximately 10 acres per year and planting pine trees. He is also using a tree injector to eliminate undesirable hardwoods. He had done part of this work through the Agricultural Conservation Program under the Agricultural Stabilization and Conservation Service.

SOUTH DAKOTA

Brule Creek

Six of the 17 proposed floodwater-retarding and three grade stabilization structures have been completed in the Brule Creek watershed. Although only 12 square miles are now controlled by structures, a member of the Board of Managers said, "Already we can see the difference; each additional structure reduces the flooding. In prior years I lost alfalfa every year from flooding and I haven't lost any for two years."

Damage reduction from the April 1969 flood was $39,535. This compares to average annual benefits from flood prevention with all structures in place of $38,746 estimated in the work plan. There was no flooding in 1970.

The sediment pools of three of the floodwater-retarding structures are being used for livestock water and recreation. People are spending many days fishing, hunting, and picnicking by these structures. Floodwater-retarding structure B–36, located in central Union County, is providing an excellent recreation outlet for people in the area. The landowner provides a good access road with a convenient walk-in gate. It is estimated that about 400 man-days of fishing are utilized. A floating raft is provided for swimmers who number as high as 40 children on weekends. Good duck and goose hunting are provided for the neighborhood each fall. Several broods of ducks and several coveys of quail by each of the structures have been observed.

Pattee Creek

The local sponsors held a dedication ceremony on June 23, 1970, for 90–acre Lake Lakota, formed by the Pattee Creek watershed, multi-purpose flood control and recreation structure located in Lincoln County, South Dakota. There were more than 100 people in attendance. This structure is providing a much needed recreation spot for many hundreds of people in this heavily populated rural and urban area in southeast South Dakota.

After it became filled with water in the spring of 1969, approximately 19,550 people visited this recreation area during that summer and fall. After it was officially opened on July 1, 1970, the number, by actual count, increased to 54,589 with as high as 2,750 visitors on Sundays during July and August. It is estimated that over 60,000 people visited the area in 1970. As many as 130 automobiles were in the parking area at one time.

Two additional employees were hired by the South Dakota Department of Game, Fish and Parks to take care of this increase.

This development has added much to the natural beauty and environment of the area. It is located adjacent to the Newton Hills State Park. This is a beautiful park of rolling hills covered with trees and shrubs and native grasses. It did not have any lakes or ponds until the Pattee Watershed structure was completed and provided the needed water for a better balanced recreational area. Consequently, the use of the Park itself has increased a great deal during the past two years.

Wild Rice Creek

This project has provided for an extra or unusual benefit to the Britton community. During project construction a few years ago, a Ready-Mix concrete plant was established as a branch of the Sisseton plant to reduce hauling costs. This plant has remained in Britton and has become a thriving business. It has provided full-time employment for one man and part-time employment for several others during 8–9 months of the year.

The four floodwater-retarding structures and channel improvement in the Wild Rice Creek watershed prevented $65,700 of floodwater damages during the April 1969 flood in Marshall County, South Dakota. The works of improvement prevented flooding on 4,700 acres of cropland and floodwaters were removed from 1,400 acres in a few days so there was no delay in planting crops. There was no flooding reported in 1970.

Three of the floodwater-retarding structures are located in the drainage area of White Lake. This lake is now the source of municipal water for Britton, South Dakota. Therefore, the watershed program of land treatment and sediment storage will help preserve this source of municipal water.

The sediment pools in this watershed all continue to provide an increasing number of days of recreation. Swimming, fishing, and hunting are the most popular forms of recreation. The sediment pools are adding to the duck production of the area as well as providing water for livestock, deer, small game animals, and upland game.

TENNESSEE

Porters Creek

While Porters Creek watershed was in the planning stage, the Tenn-Ark-Miss Girl Scout Council was looking for a new camp site. Without knowing about the watershed project, the Council located and bought a 1,150 acre wooded, hilly tract of land in the Porters Creek basin. The Scouts wanted a good recreational lake so contacted the Hardeman County Soil Conservation District for assistance. They were informed that a flood-retention structure was being planned on their new property.

The proposed watershed was not large enough for their needs so plans were developed to make this a multiple-purpose lake with the Girl Scouts cost sharing in the increased size. A beautiful 60-acre lake was constructed around which the Girl Scout Council is in the process of building their new camp. At present the planned camping facilities are about 25 percent complete.

The camp is open from June 1 to August 1. This past summer, an average of 227 girls daily enjoyed camping, swimming, boating, and fishing for a summer total of 13,620 user-days. Weekend camping during the rest of the year greatly increases this use. The American Red Cross conducts a water-safety training session each June. In 1969, 125 students participated.

The planned completion date for all camping facilities is 1975 with the estimated user-days being 58,230 per year.

Thompson Creek

This watershed consisting of approximately 18,700 acres is located in the western part of the state in Weakley and Henry Counties. The project consists of one multiple-purpose and four floodwater-retarding structures, 17.2 miles of channel improvements, and 2,159 acres of treated critical erosive lands.

A major storm hit the Thompson Creek watershed on January 28, 1969. A large flood would have occurred if the project had not been installed, but all areas were protected below the installed works of improvement preventing thousands of dollars in flood losses to agricultural improvements, roads, and bridges.

The multiple-purpose structure installed in cooperation with the Tennessee Game and Fish Commission provides the area with a 183-acre recreational lake known as the Finis J. Garrett Lake. Fishing access, boat-docking facilities, picnic tables, and restroom facilities are provided. Areas around the lake have been developed for cottage sites where several cottages have been built with others in the planning stage. The local Boy and Girl Scouts use the facilities for group camping.

Wayne Parkham, Chairman of the Weakley County Soil Conservation District, expressed the feelings of the sponsors and most people in the area when he said, "We find that this project has proved far more beneficial to all of us here than we could ever imagine. The fringe benefits alone have brought in additional income to the people of the county equal to a small factory. This was surely a worthwhile investment for our efforts. We are continuing our work on several other watershed projects which we know will be highly beneficial to the entire county."

TEXAS

Sulphur Creek

The nine floodwater-retarding structures planned for this watershed have been constructed. During May 1965, the watershed had a major flood. This was the first since the largest flood of them all struck in May 1957. Although the 1965 flood did not reach the intensity of the flood of 1957, it did fall over the entire watershed. Due to the large area covered, it was almost equivalent to the 1957 flood. None of the structures' emergency spillways functioned, and the stream never left its banks through the city of Lampasas, the major benefactor from the watershed protection and flood prevention project.

However, it was a sufficient test to assure the people of Lampasas that the project would function as it was designed to do. Since then, Lampasas steadily has grown. A few examples are as follows:

The largest industry, Producers Produce, burned down in 1968. This is owned by the Armour Packing Company. One of the deciding factors in rebuilding the plant was the fact that they have this flood protection. They employed about 90 people before the fire, and now have about 150, having expanded when rebuilding the plant.

A house trailer construction firm moved to Lampasas two years ago, having since incorporated, and expanded to put out one trailer per day rather than one per month, and have hired 30 additional people. Again, the flood prevention project played a big part, as the plant is located right off the banks of Sulphur Creek.

A garment factory moved to the town square, which is within the flood plain, and are proposing a goal of 100 employees in their present location. They presently are employing 90 people. Again, one of the deciding factors was the fact that there is a flood prevention project established there. The present landowner and owner of the factory is looking for larger quarters as he wants to expand as he develops his labor.

Chastain-Mueller Department Store lost $42,000 in merchandise in the flood of 1957. They rebuilt on the strength that the planned structures would do the job they were designed for, and they are quick to tell everyone that they made the right decision.

Two new banks have been constructed, both of which said one of the factors considered before building was the flood prevention project. One bank rebuilt in the same location, the other moved just off the square, but still in the flood plain. In addition, a doctor's office and clinic, Boone's Sporting Goods and Supplies adjacent this trailer park, Dairy Queen, and one service station have been constructed within the flood plain.

Two new subdivisions have been put in within the flood plain of the watershed. The senior high school building area has expanded, with several new expensive buildings, which are located on the banks of Sulphur Creek.

Weiser Mill, Inc., rebuilt and expanded facilities in the same location after having suffered extensive damage during the May 1957 flood. They have about 100 employees.

The city has purchased additional property adjacent to Sulphur Creek for park expansion. Numerous small businesses either have built new or reconstructed buildings in the flood plain.

The city of Lampasas states that there has been an increase in normal flow of the creek year around due to increased flow from the Sulphur springs. The city constructed a low-water dam in Hancock Park for beautification and to back up water into the sump area from where the municipal water supply is pumped out. The city also has just recently increased expansion of their water pumping facilities and treatment plant due to increase in water consumption demands. City bond election and sales taxes have been approved by the voters for expansion programs on the sewage treatment plant, water mains, storage facilities, and sewage lines.

The natural environment has been improved through the reduction of (a) sediment being deposited in the city water supply sump, (b) deposits of silt in the fish spawning areas caused reduction of the fish population, and (c) the killing of older fish in the Sulphur Creek below the flood prevention structures. The wildlife habitat has been improved through reduction of polluted waters and sediment. Additional fishing and recreational areas are available now due to the installation of the flood prevention structures; primarily, four of the nine structures installed hold water in the sediment pool. These four sites are being made available to the public by the private individual landowners at a normal rate of $1 per person per day for fishing, boating, camping, etc. The only cost to the landowner has been the installation of roads with annual maintenance, and the cleaning up of litter, bottles, cans, etc.

York Creek

All of the 16 planned floodwater-retarding structures have been completed. Six miles of channel improvement also have been completed. An additional 14 miles of channel improvement is planned.

Between 6 a.m. and 10 a.m. on May 15, 1970, an average of 7 to 8 inches of rain fell on the watershed. Some areas received as much as 10 to 11 inches of rain. The structures and channel improvement work performed well and a major flood with extensive damage to public and private property was prevented. None of the works of improvement experienced damage except for disposition of debris (brush, logs, lumber, weeds) in the forebay of the emergency spillway and along the dams. The emergency spillway of floodwater retarding structure Site No. 10 functioned for about two hours at a depth of six inches. York Creek at Texas Highway No. 123 had only shallow flow over most of the low land adjacent to the main channel. At Highway 20, several miles south of the Highway No. 123 bridge, 4.5 miles of channel work was completed at the time of this flood. The total flood was contained in this improved channel.

Prior to the installation of this project, rains of this magnitude caused extensive damage. These damages were: bridges washed out, fences destroyed, livestock drowned and crops and pastures flooded and destroyed.

The small lakes formed behind 14 of these dams greatly enhance the beauty of the countryside and improve the environment of the area.

Floodwater-retarding structures Sites Nos. 1 and 2 do not hold water. These are located in the Edwards Plateau area, which consists of a porous, fractured, cavernous material, which is a recharge area for the Edwards ground water reservoir. This underground reservoir is the water supply source for irrigation, livestock, rural domestic, and for several communities and the city of San Antonio. The rain of May 15, 1970, filled these recharge structures to a point about 14 feet above the principal spillway. Within a short period of time, the water level in these structures had dropped below the principal spillway, which indicated many acre-feet of water was added to the Edwards ground water reservoir, as well as performing as flood control structures.

Fourteen of the York Creek structures are becoming the most popular fishing spots around the local area. Some fishermen are known to drive 150 miles each way to fish at the York Creek sites. One property owner takes in an average of $30 per week from fishermen at only $1 per carload. Two of the sites are cash leased to large groups for camping, picnicking, fishing, hunting, and boating.

These and other examples illustrate how the economy of the entire area has been greatly stimulated by the installation of the York Creek project.

Property values around and below the structures have increased. Local landowners state that they feel their property has increased over 100 percent in value because of the York Creek project.

UTAH

American Fork-Dry Creek

The American Fork-Dry Creek watershed—once flood-plagued and approaching economic stalemate—was named watershed-of-the-year by the National Watershed Congress in 1966. It was the Congress' choice for its annual award over more than a score of watershed projects, each outstanding as an example of resource protection and development.

Since the days of settlement, the people of the 118,700-acre watershed have been troubled by periodic flooding. Waters from sudden downpours in the mountains and sometimes from rapid snowmelt plunged down the stream courses, bearing thousands of tons of sediment. A summer flood in 1953 was estimated to have caused $61,000 in damages, and one mainly on Dry Creek 2 years earlier caused damages totaling $55,000.

The project was designed to reduce floodwater and sediment damages and to improve the efficiency of water use in the valley. The plan called for four debris basins strategically located to hold temporarily the surging waters from the mountains during storms and to permit the flow to drop its sediment load. It is estimated that the benefits from no flooding below the Battle Creek and Dry Creek debris basins along channels and canals and other private property amount to approximately $65,000 for fiscal year 1970.

The Silver Lake Flat Irrigation Reservoir was included, with the local irrigation users bearing the additional cost, to provide water for irrigation in the late season when other supplies were exhausted.

Lining the irrigation ditches with concrete is saving nearly a third of the watershed's irrigation supplies, sponsors of the project report. They are lining 80,000 feet of canals and ditches a year.

Benefits from recreational use continued at an accelerated rate of over 15,000 visitor days with a dollar benefit in excess of $30,000. A new recreational facility is now being developed at the Battle Creek basin. The Alpine Soil Conservation District, working with the Kiwanis Club, has installed one picnic area and has plans to enlarge it. This basin, as well as Grove and Dry Creek, has been used for skating, tubing, and skidooing.

Some unplanned benefits have developed. The Dry Creek basis has been set aside for an outdoor laboratory in conservation education. Developments are now being planned and will include a nature trail to view and study aquatic life, soil profiles, geology, and vegetation.

Large, poorly vegetated areas previously discouraged full use of this watershed by deer and other wildlife species. The reseeding and special purpose trenches have greatly increased the feeding and movement of wildlife.

Tibble Fork Reservoir has substantially increased the value of the summer home area which is adjacent. The fishing facilities have been improved by the constructon of a ramp down to the water to enable handicapped people to use the multi-purpose reservoir. The ramp was planned and installed by the U.S. Forest Service. The American Fork Training School (state institution) schedules fishing outings for retarded children at this reservoir.

The project has given a sharp boost to the area's economy, the sponsors say. The conservation work has meant improvement of water use and of the native grass resources. The livestock industry is growing. Each of the communities, Lehi, Pleasant Grove, and American Fork, reports business gains as a result of the areas' more dependable agriculture.

New homes, schools, and community centers are going up. Land values have gained 15 to 30 percent, they say, affording the communities a broader tax base.

Annual benefits now exceed $110,000.

Ferron

Construction started on the Ferron watershed in November 1966. By late fall of 1969 five debris basins had been constructed, 6,000 feet of irrigation pipeline installed, 7¾ miles of livestock water pipeline completed, and construction started on the Millsite Dam and Reservoir.

The irrigation pipeline has provided delivery of a more constant supply of water to the fields throughout the growing season. Fluctuation in streamflow due to thundershowers has been almost completely eliminated. Seepage losses have been reduced substantially as well as ditch maintenance. Several farmers claim they have almost doubled their hay yields in this past season. With this improvement water is now delivered to the farms much later in the season.

Plastic pipe was originally installed to provide drinking water for livestock during the winter months when water would be removed from the canals. Now good quality, fresh water saves on feed and the cattle are in better condition.

The Bureau of Land Management and Forest Service have completed several projects in the area which include: contour furrowing, contour trenching, browse seeding, sagebrush spraying, aerial reseeding, fencing, access roads, road erosion control, interseeding between contour furrows, erosion control dikes, and ponds for livestock water.

In addition to the above benefits the general economic status of Ferron and the surrounding towns has increaesd. Many of the vacant houses and lots are filled. In fact, it is now almost impossible to find any available housing in Ferron. Mobile Home Parks are now filled and the business section of town is now busy most of the time.

After completion of the project, approximately $28,000 per year will be realized from fishery and wildlife habitat improvements and resulting increases in recreation uses on the upper watershed.

The Utah State Park and Recreation Commission is in the process of designing a recreation site at the Millsite dam and reservoir.

Improvements in the range resource will materially benefit and help to stabilize the local livestock industry by increasing available forage on suitable range lands.

VIRGINIA

Mountain Run

The story of the Mountain Run watershed project in Culpeper shows rural areas development at its best. Periodic flooding, coupled with a dwindling water supply, had been pinching off Culpeper's chances for community and industrial growth. With an assured water supply and freedom from floods, the community's economic growth has taken a substantial jump.

Since the project's completion, three new industries employing 500 local people have been attracted to Culpeper. A hospital, stimulated by this community program, has been completed. Gross income of workers at the three industries and hospital is $1,750,000 annually.

The Mountain Run watershed development and the planned supplement which adds one billion gallons of storage to the municipal water supply of the Town of Culpeper, has attracted another industry to this rural section of Piedmont Virginia. In September 1970, the Seaboard Allied Milling Corporation opened a new 2 million dollar flour mill in Culpeper which will serve a seven state area. The plant produces 700,000 pounds of flour per day and 200,000 pounds of animal feed. It furnishes jobs for 60 local people and was able to locate at Culpeper due to the fine water and transportation facilities.

Because of this excellent growth, Culpeper is selective as to the type of industry permitted. During 1967 the town told three indusries to look for development possibilities elsewhere.

The entire areas has been enhanced by three new reservoirs, with total maximum flood pool storage capacity of 2,860 acre-feet.

A 4-acre picnic area is being developed at one of the reservoirs. It is the first park ever developed in Culpeper County and brings fishing and boating facilities to the community's back door. The town has a new source of revenue from the sale of boating and fishing permits. For the past two years an average of 600 permits a year has been sold.

The project has been so successful in promoting industry and general growth, the sponsors are looking further into the future. They are revising the original plan to add two structures that will prevent flooding of urban properties and provide 1,000 acre-feet of additional municipal water storage. One of these sites will be used for either public or private recreation.

The increase in employment resulting from this project is primarily of rural people who could not be gainfully occupied as full-time farmers. Without the project, many of them would be forced to migrate to metropolitan areas in search of employment.

Roanoke Creek

Roanoke Creek watershed project, located in Charlotte County, contains 141,900 acres. This project has planned 17 floodwater-retarding structures, three of which are multiple-purpose structures. Two of these are for municipal water storage and one for irrigation water. Also planned are 56 miles of channel improvement and 95 miles of secondary road bank seeding.

A total of 13 structures have been completed. A majority of the channel improvement and all of the road bank seeding has been completed.

The town of Keysville secures its entire water supply from one of the multiple-purpose structures. As a result of this supply of water, the town has had one new industry move in, and the primary existing industry has expanded and hired many additional workers from the county and adjoining areas.

The town of Drakes Branch now has an ample supply of water in one of the multiple-purpose lakes. Even though the town has not depended entirely upon this lake, they have released water as needed to meet the needs of the nearby Burlington Industries plant so that they have not had to close down because of water shortage. This industry has made expansions and more people are employed from this area.

Both of the multiple-purpose lakes meet present town needs and will provide ample water for future expansions of existing and new industries.

Since the watershed project has made safe the use of low grounds along creeks, several hundred acres of bottom lands have been brought back into cultivation; thus permitting release of uplands from cultivation.

Much interest is now being shown in making use of most of the lakes for fishing and several for recreation and camp sites.

The town of Charlotte Court House is now very much interested in the storage of town water in one of the proposed structures not yet built.

From the present interest and use of water stored, it is apparent that the project will greatly improve the economy in Charlotte County which is strictly a rural area.

WASHINGTON

Lacamas Creek Tributaries

Flooding is no longer occurring in the areas where channels have been constructed. Runoff from succeeding storms is partially absorbed into the ground that no longer remains saturated with water between storms. Roads that were previously inundated following heavy rainstorms are no longer in that condition. Farming operations can be performed earlier in the spring and crops such as potatoes and alfalfa are being grown on land previously unsuited to production of crops other than pasture.

One of the farmers living in the project has purchased a title-laying machine and has gone in the business of tile drainage contractor because of the project. He has the only tiling machine operating in the county.

Twin Buttes

With above normal rainfall and one of the longest period in recent memory of snow coverings in the winter of 1968–1969, no flooding was encountered in the city of Goldendale, which the watershed diversion ditch protects. Although it never measured more than eighteen inches on the level, the total snowfall was in excess of fifty-four inches and the rainfall was three inches above normal for the winter months. Water depth in the ditch never exceeded eight inches.

New housing construction continues in areas within the city that used to stand in water prior to completion of the project.

Extensive expansion of the storm sewer lines within the city was completed this year. These extensions were planned for in the overall design, but the city did not have funds to complete them until this year.

Although not located in a flood area, the new Klickitat Valley Bank is a $200,000 investment in the future growth of the city, which would not have been possible without the Twin Buttes diversion channel.

WEST VIRGINIA

Brush Creek

Nine of the 10 structures planned are now operating in the watershed. Three multiple-purpose reservoirs and six single-purpose flood prevention dams have been constructed. Work is scheduled to start August 1971, on the last structure which will be a multiple-purpose dam that will provide municipal water supply to the city of Bluefield.

Two of the multiple-purpose dams installed furnish municipal water supply. One supplies the Green Valley-Glenwood Public Service District and the second, known as the Dan Hale Reservoir, furnishes public water supply to the city of Princeton and vicinity. The third completed multiple-purpose dam includes a 55-acre recreational lake surrounded by recreational basic facilities. During 1970, the second year of operation, over 36,000 visitations occurred between late spring and Labor Day. Thus, the 35,000 annual visitation estimate, expected to be reached four years after the development was installed, was reached during the first year of operation.

Installation of pollution abatement measures outside the scope of the watershed work plan has been the most unique aspect of the entire project. Five sewage stabilization lagoons were installed as part of the sewage system of the Green Valley-Glenwood Public Service District. In addition to the five lagoons, 25 miles of sewer line were installed with the system costing $1,250,000.

With nine flood prevention dams and 1½ miles of stream channel installed, together with a complementary channel improvement project by the Corps of Engineers, significant benefits have been realized. The reclaimed flood plain area now has an aircraft plant, a woodworking plant, a wholesale drug company, a shopping center, a regional vocational-technical school, six other smaller new businesses and will soon include a new Princeton High School and a district State Department of Highways office. More than 1,300 new jobs have been created on the protected flood plain. Counting spinoff and satellite activities, a study showed that in 1970 for every dollar the project cost the community is receiving $17.00 in developmental benefits. By the year 2000, benefits are estimated to be $32.00 for each dollar of cost.

The Brush Creek project was honored by the National Watershed Congress in 1969 in being selected as "Watershed of the Year." In addition, Dr. Dan Hale, Princeton, West Virginia, was named by the National Watershed Congress in 1970 as "Watershed Man of the Year." The award was for his outstanding efforts in initiating, promoting, and installing the Brush Creek Watershed Project.

South Fork (Potomac River)

With 20 of the planned 24 dams completed, a substantial degree of flood protection is already being provided to the more than 7,000 acres of flood plain in the South Fork watershed. Residents of the town of Moorefield and farmers along the South Fork Valley are enthusiastic over the performance of the project thus far. Before the project damages to 24 miles of road, 23 bridges, and hundreds of culverts amounted to over $250,000 annually. Total flood water damages of over $700,000 will be reduced about 65 percent when the project is fully installed.

All 20 dams provide recreational opportunities. At Site 13 in the George Washington National Forest, a beautiful recreational development has been installed. Camping, picknicking, swimming, fishing, hiking, and sightseeing facilities are provided at a cost of about $225,000.

This 30-acre development was planned around the 9-acre permanent pool. For the period 1967 to 1969, total visitor-day use has increased 38 percent from 18,400 to 25,400. Use of swimming facilities increased 173 percent, picnic areas 190 percent, and camping grounds 9 percent.

On one Fourth of July weekend, there were 10,032 visitors.

The U.S. Forest Service, with the Site 13 development as a start, is integrating the South Fork project into the overall public use plans for the National Forest.

A fishing and hunting club group from Moorefield purchased a large tract that included the site for one dam above Brandywine. Known as the "Dam 16 Club," they have developed the area with a hunting lodge, airstrip, and other improvements.

WISCONSIN

Glen Hills

The multiple-purpose structure recently completed with an 85-acre lake and recreational development is already showing signs of exceeding the original proposal. Boy Scout groups have used the area for camping; school groups are using the area for nature studies. A golf course is planned and will be installed by the sponsors with local financial support. Snowmobile trails are being planned.

Otter Creek

A multiple-purpose site which encompasses a land area of 220 acres and total development area of about 2,200 acres is under construction. City residents are now purchasing nearby tracts of land which is causing improved land values. Lands formerly cropped are being converted to woodland, recreation, and residential purposes.

Twin Parks

Heavy rains occurred in June. Mr. Norman Duesler reports that the completed floodwater-retarding structures prevented many dollars of damage to roads, bridges, and cropland in the watershed.

The community of Barneveld held a successful barbecue and water ski show on Birch Lake. On opening day of the trout season about 50 boats were on the 11-acre lake, and the lake bank was ringed with about 400 fishermen. An increase in land value in the vicinity of the lake is occurring through the sale of lands to urban residents.

Since the development of the largest state park in Wisconsin, which includes a multiple-purpose site with a 150-acre lake, several new businesses have been established. These are: a root-beer stand, a cheese mart, a restaurant-bar, a combination motel and bar, a new supper club, and an improved airport. In 1969, 400,000 people visited the state park. Private recreation and camp site developments are enjoying the benefits of the overflow from the state park.

WYOMING

Boulder Lake

The Boulder Lake Watershed project, with its headwaters in the Continental Divide on the west slope of the spectacular Wind River Mountains in the west-central part if Wyoming, has resulted in benefits beyond prediction.

Prior to this project, spring flooding occurred each year on lands adjacent to the stream downstream of Boulder Lake Dam while hundreds of acres of hayland were deficient of water by mid-summer.

The project improvements include the Boulder Lake Dam, fifteen miles of canal improvement, and four water-control structures. With these facilities, flooding has been eliminated and the ranchers now have irrigation water both early and late in the season.

Within the project, some 8,600 acres are irrigated, of which more than 3,000 acres previously very deficient in water are now fully irrigated. Full irrigation has permitted better irrigation methods and use of commercial fertilizer that increased hay and pasture production on the project's meadow lands.

The increased use of these project lands that has resulted has enabled four small ranchers to increase their cattle herds to an economical unit permitting them to stay on their ranches and not seek other employment. Several other ranchers have been able to enlarge their herds to let their sons stay with them on the ranch and establish homes of their own.

In a recent follow-up survey, it was estimated an additional 4,000 tons of hay were produced and fall grazing of hay meadows produced an additional 800 a.u.m.'s of grazing enabling the ranchers to carry some 1,600 additional animal units on the project.

The general store and trailer court on the project report not only increased trade and a much higher morale of the ranchers, but a 62 percent increase in tourist and recreation trade.

Recreation previously limited due to the shortage of water has really come to life. The Wyoming Game and Fish Commission is fully aware of this changed condition and now feels justified in stocking the resulting live stream below the dam.

This project is proving that additional benefits continue to accrue to these soil and water conservation and development projects, not only to the local people in the community but to many of the citizens from outside the area.

North Fork of Powder River

The Dull Knife Irrigation Reservoir, the only planned project measure, provides supplemental irrigation water for some 3,300 acres of irrigated lands, owned and operated by thirteen ranchers. The supplemental storage water provides the needed summer and fall irrigation water to insure a reliable feed base for the livestock. This additional water has almost doubled the production of hay and pasture yields. It has also provided needed irrigated pastures to supplement the grazing on native ranges.

Recreation was not a planned purpose of the project, but it definitely is improving the economy of the community. Private landowners surrounding the reservoir are selling building sites to be used as summer homes and fishing and hunting camps. The selling of building sites has increased the value of some land from about $30.00 per acre to $1,500 per acre. Since the dam was completed, ten cabins have been built and sixteen trailer houses moved in. Several of the trailer homeowners are starting construction of permanent buildings. These are sites for approximately another 100 units in the area.

The reservoir provides excellent trout fishing both from shore and by boat. No estimate is available of the number of fishermen or fishing days the reservoir has provided, but the number is increasing each year.

Prior to the construction of the reservoir, the stream often went dry thereby destroying most of its value as a fishing stream. The work plan calls for a minimum flow of 2.5 cfs of water from the reservoir. This provides a potential of some 30 miles of fishing stream below the dam; also livestock water throughout the year along the stream.

STATEMENT OF GEORGE R. BAGLEY, NATIONAL VICE PRESIDENT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

Mr. Chairman and members of the Committee, I am George R. Bagley, of St. Joseph, Louisiana. I am National Vice-President of the National Association of Conservation Districts (NACD), and I appreciate being permitted to appear today to present the views of our Association on the subject of "dredging, modification, and channelization of rivers and streams."

For nearly 35 years, soil and water conservation districts, in partnership with the Soil Conservation Service, the Army Corps of Engineers, and many other public agencies, both federal and state, have carried out a continuous and highly successful program to conserve and improve land and water resources and the environment in which we live. There are over 3,000 conservation districts in the United States with over 2.2 million cooperators. These districts are governed by 18,000 elected officials from all walks of life. They serve without pay and their prime interest is in making this country a better place in which to live, work and enjoy life.

NACD is very much interested in the subject being considered at this hearing, particularly as it relates to the upstream watershed and flood control projects being carried out under the Watershed Protection and Flood Prevention Act (P.L. 566). District leaders and our Association were closely involved in the conception of this program in the early 1950's.

The idea of planning and carrying out conservation measures over an entire small watershed is widely recognized today as an appropriate and effective way to approach natural resource problems. It directly compliments the work of the Corps in their larger downstream river basin work. The benefits of this kind of watershed work were not nearly as well recognized when we, other conservation organizations, and many far-sighted Senators and Congressmen worked for the passage of Public Law 566 back in 1954.

District leaders at that time insisted that the watershed program should be a local program, with federal assistance. It is truly a grass roots program—a means whereby local property owners, urban and rural alike, can achieve planned water management and protection from the ravages of floods.

Soil and water conservation districts are the principal sponsors of each of the 1,000 small watershed projects that have been approved to date and of the 2,000 additional applications that have been made to the Department of Agriculture. Along with county governments, municipal governments, other special-purpose natural resource districts, and agencies of state government, districts initiate the applications, set forth the objectives to be served, and approve the plans on which the projects are based.

From the beginning, NACD has supported and worked for amendments to the original act to extend and improve its usefulness and broaden its purposes. These amendments, approved by the Congress, have transformed the program from one of primarily flood prevention to a multiple-purpose program of much greater breadth, providing for development of water supplies for towns and cities, industries, fish and wildlife enhancement, recreation, and agricultural use. It has become more and more a complete upstream water resources program, and we support the continued modification of this program to meet the needs of all people.

Public Law 566 has been one of the most dramatically successful acts ever created by Congress. It has upgraded the economic base of hundreds of communities throughout America. It has survived struggles between various Administrations and the Congress, budgetary cutbacks, and agency rivalries. The state legislatures all over the country have enacted a substantial body of legislation to facilitate and accelerate watershed planning and construction and to provide financially for their support. Local and state governments are providing some $44.3 million annually in funds and services as their share of the responsibility. The backlog of applications, a sure measure of the program's usefulness and popularity, is rising. People want and need water management.

A major goal of soil and water conservation programs in this country, including the P.L. 566 watershed program, is to conserve and develop America's natural resources and improve the environment. Closely related to this is another objective, that of expanding economic opportunity throughout rural America. A better environment, better economic opportunity, and an efficient agriculture can do much to curb rural migration to metropolitan centers and provide for a more balanced national growth.

Some changes in the rural landscape are certain if these goals are to be achieved. Through careful planning and the full cooperation of all agencies and groups involved, these changes can take place in a manner that not only will avoid environmental damage but improve environmental quality. But we must also recognize that choices must be made and that compromises will be necessary in order to achieve a common goal in a positive way.

Your Subcommittee is concerned with charges that stream channel modification included in some projects are causing serious damage to fish and wildlife. Some agencies and individuals have been making statements calling for an end to all channel work of any kind and criticizing water management programs and soil and water conservation programs in general.

The position of our Association is that channel work is neither good nor bad *per se*. Channel improvements are engineering measures necessary to alleviate or solve specific problems. Judgments as to the need for channel changes can be made best on a project-by-project basis—by local people at the local level to meet local conditions.

Channel improvements are included in watershed projects only when no other way can be found to meet certain problems. One use is to provide sufficient capacity for carrying peak flood flows without damage. Another is to prevent flood damage to land and buildings in areas where the topography makes storage in detention structures impossible. A third is to make possible in high rainfall areas more efficient use of prime agricultural lands through drainage.

These objectives cannot be dismissed lightly. Channel improvements are absolutely essential to the farmer who cannot afford crop losses because of flooding or standing water. They are vital to county officials who must repair roads and bridges after heavy rains. Adequate drainage is a prime consideration in the growth of our cities and suburbs, industrial parks, school systems, etc.

In my own state of Louisiana, water channels are absolutely necessary on 60 percent of the land area. Of the 26 million acres in the state, 15 million acres are flat; and there are no possibilities for controlling floods with detention reservoirs on these lands. We receive about 56 inches of rainfall per year and quite often get 6 to 8 inches in a 24-hour period. Without a well-planned system of channels, it would be impossible to protect homes, industries, and agricultural lands from being buried in swamps of water. Most of our streams and bayous are not permanent, free-flowing bodies of water. They flow during these heavy rainfall periods and stand in quiet pool stage most of the rest of the year.

Drainage, like channelization, is not evil by definition nor should it be condemned. In Louisiana, the public works division of our state government has been making heavy annual investments in drainage work since the early 1900's. This has made development of land possible not only for agricultural purposes but for other uses as well.

In over one-half of the state, we could not have a highway, an airport, a residential subdivision, or even a city without an adequate system of channels to remove excess water in a controlled and orderly fashion from the land.

Many of the channels serve several purposes. They are used to transport and store water for irrigation during the dry season and for drainage and flood control during the wet season. Control structures in the channels near the Gulf of Mexico keep salt water from intruding and are designed to hold a good supply of fresh water in the channel for fish and wildlife.

Many thousands of miles of channels in my state run through the middle of cities, towns, or cotton and soybean fields where there is little possibility of any wildlife habitat. To provide outlets for some of these channels, it is sometimes necessary to extend them through wooded areas or marshlands.

In Louisiana, we have received 71 watershed applications covering a little over eight million acres of land—practically all in the flatland area of the state.

These 71 projects are supported by 109 different local political subdivisions of state government. Every federal, state, and local agency or organization with any interest in resource development and conservation has been given every opportunity to participate in development of the plans for these small watershed areas. The applications are prepared locally, reviewed at the local and state levels, and finally submitted to Washington. At least two public hearings are held on every project. All of the agencies are asked to make contributions to each plan as it is developed.

I happen to live in the Mississippi River Delta. My entire parish had a watershed program planned and carried out in the early 1960s. It has not hurt the environment, the fish and wildlife, or anything else. But it has helped the people make a better living, have schools to attend, and churches in which to worship. The whole economic base of our parish has been greatly enhanced by adequate drainage.

The other parish in my conservation district saw what had happened and made application for a program of its own. After the plans were developed, a few people started complaining about what they felt was going to happen to the environment. The local sponosrs and the Soil Conservation Service asked these folks to call their opposition together, so that the plans could be thoroughly discussed with them. The opponents worked for a month and managed to get only 11 people in the entire parish to attend the meeting. This parish recently voted overwhelmingly for a tax to support their watershed program. Without it, the total economy of the parish would wind up in the most serious kind of trouble.

Gentlemen, you have to wade around in mud and water and pump water out of your school, basement, or store to really appreciate some of the things I have been saying. But, let me assure you, that is exactly the situation in which 75 percent of the population in Louisiana would find itself if it were not for the channels in the state that are removing water in a planned, orderly, and safe manner.

A good example of people becoming alarmed simply because a watershed work plan proposes considerable channel improvement can be found in the West Carroll Watershed which is located just 50 miles north of me. A work plan has just been completed for this project. It calls for 360 miles of channel improvements. Some environmentalists out of New Orleans, over 300 miles away, heard of this plan and became alarmed about ruination of fish and wildlife resources. They did not study the plan to find out that these channels, without exception, flow during periods of storm runoff only, and that several grade stabilization structures were being designed in the plan to alleviate damages to fish and wildlife resources that are presently occurring. Nor did they read the report of the U.S. Fish and Wildlife Service which said, "Fishery resources in the watershed are generally of low to moderate quality. Wildlife resources are also generally low to moderate quality of deer and squirrel, and moderate population of dove, rabbit, and quail.

Based on our knowledge of the area and proposed watershed development, we believe that fish and wildlife resources will not be significantly affected. . . ."

This entire watershed, which covers West Carroll Parish, is rural. The town, which serves as the commercial center of the area, has a population of only 1,800 persons. The economy is based almost entirely on agriculture. There are 1,700 farms in the area and 1,000 of these contain 50 acres or less. Over one-half of the families are earning less than $2,400 per year.

In 1968 a storm occurred which isolated over 200 rural families for up to three days due to roads being flooded. The parish policy jury and the soil and water conservation district believe that the low income is largely due to the inability of farmers to realize returns from farm investments because of inadequate facilities for removing excess rainfall.

The watershed program is a program to help these people help themselves. They cannot afford themselves to dig ditches to take care of the excess water coming out of Arkansas and other parishes in Louisiana. They must have help or there will soon be another 1,000 families on our welfare rolls.

Watershed projects must serve many needs of many people. The interests of farmers, sportsmen, businessmen, and townspeople may not always be identical. We believe every effort must be made to plan a program that produces the highest benefits for every segment of the community. But we cannot simply say that any one special interest, such as the fish and wildlife interest, automatically should outweigh all of the others.

Let us consider the interest of agriculture, for example. Inclusion of agricultural development as a purpose of a watershed project contemplates benefits extending far beyond farmers. The economy of most of our rural counties in America remains based on agriculture. The reduction of flooding and excess water on farm lands makes possible higher farm income.

This, in turn, increases the business of processors and handlers of agricultural products and of merchants generally. Local government relies on tax revenues from agriculture in much of our country. If farmers fail to prosper, tax income for schools, roads, welfare, and other essential services suffers.

Take the business interest. How important is it to a community to protect local industries from flooding? If industries must leave because of flooding or poor water management, vital jobs are lost. This interest of towns and cities in rural America cannot be ignored.

Let us consider what we might call the environmental interest. This is the interest that all of us have in preserving and improving the quality of the resources that support us, including air, soil, water, trees, fish, wildlife, and natural beauty.

It is our conviction in NACD that watershed projects contribute much to the enhancement of the environment. The projects reduce erosion and sedimentation; they prevent floods; they provide new recreational areas; they impound water for boating, fishing, and swimming; they create new fish and wildlife habitat; they improve agriculture and forest management; and they beautify the landscape. Watershed projects are basically environmental projects.

In our view, if channels are necessary in a project, everything possible to minimize any adverse impact on the environment should be done. For example, engineered channels, wherever possible, might follow the natural contour of the land rather than being straight—and they should include fish and wildlife habitat improvement measures. Banks can be sloped more gradually, landscaped, or planted to wildlife food. Sediment control during the construction period can be emphasized to a greater extent.

The key to a solution to the conflict over channels is for all agencies and people concerned to work together in a cooperative spirit to find the best possible ways to resolve differences, project by project.

All appropriate agencies of government with their individual fields of expertise must come together and complement each other in finding solutions to our environmental problems. There are now many projects in which channel changes are not opposed by anybody, and where the quality of fish and wildlife habitat, if affected, is often greatly enhanced.

It is important, I believe, to make it clear that fish and wildlife interests, forestry interests, and environmental groups should join in watershed planning—along with business, farm, and municipal interests—in order to avoid conflicts. It has always been the policy of conservation districts, and the Soil Conservation Service, to invite and encourage participation of such interests in watershed planning from the earliest stages. Indeed, in 32 states, fish and game, forestry, parks, and other state agencies are acting as legal sponsors of watershed projects and investing substantial funds in them because of the advantages that accrue to their programs.

Unfortunately, in some places, those now complaining the most about watershed work are those who have taken the least interest in the past, and sometimes no interest at all, in the planning stages of the projects.

In our judgment, channel modification is an important measure that is extremely useful in certain localities and situations to bring about a net improvement in the overall management of water and related natural resources for the immediate and long-range benefit of the people.

We appreciate this opportunity to present the views of our association.

Senator HUMPHREY. Now we have on our agenda a number of witnesses we are going to ask to come up to the table together, if they would. This is what we have called for lack of a better phrase "the coalition of farm and commodity organizations," and I do not know how many of them are here, but those of you who are present, if you would come up. I understand that Mr. Fred Heinkel is going to make the presentation.

Mr. Fred Heinkel is the president of the Mid-Continent Farmers Association, and you may very well want to introduce your associates here, Fred, and tell us who they are and who they represent.

STATEMENT OF FRED V. HEINKEL, PRESIDENT, MID-CONTINENT FARMERS ASSOCIATION, COLUMBIA, MO., AND CHAIRMAN, COALITION OF GENERAL FARM AND COMMODITY ORGANIZATIONS

Mr. **Heinkel**. Mr. Chairman and gentlemen of the committee, on my immediate left is Tony Dechant, president of the National Farmers Union; on his immediate left is Oren Staley, president of the National Farmers Organization, and on my right is John Scott, master of the National Grange.

Senator **Humphrey**. May I, on behalf of the committee, welcome these three very distinguished leaders of American agriculture. We are very honored by your presence, and, sir, may I welcome you as their spokesman, that is, the four great leaders of American agriculture that are here with us today. We are really very honored that you have taken the time to come.

Mr. **Heinkel**. Thank you.

Mr. Chairman, I might add there are other individuals representing other members of the coalition present here today.

Senator **Humphrey**. Yes; I am going to ask that the full list of the representatives of the coalition organizations, the organizations and their representatives be printed at this time in the record, and if we have the time today after the panel has given us the benefit of their observations we will be glad to hear from any others that may want to share some thoughts with us.

Senator **Humphrey**. Go right ahead.

Mr. **Heinkel**. Mr. Chairman, in putting this statement together yesterday in a hurry inadvertently the first page was left off. I do not have copies of it. I would like to read it into the record preceding the printed material that we submitted in advance, if that is permissible, Mr. Chairman.

Senator **Humphrey**. You just do as you wish, sir.

Go ahead.

Mr. **Heinkel**. Mr. Chairman, this will follow the statement that you have.

Mr. Chairman and members of the committee, I am Fred V. Heinkel, president of the Mid-Continent Farmers Association and chairman of the Coalition of General Farm and Commodity Organizations.

It is a pleasure to testify before this distinguished committee today.

Mr. Chairman, we are opposed to the administration's package of revenue-sharing proposal proposed for one level of government to levy taxes and appropriate funds to another level for their free and unrestricted use as an unsound principle. It transfers responsibility for maintaining programs to the States without any assurance that Congress in the future will appropriate sufficient funds or that the State will continue to maintain these programs.

This is particularly important because Congress is being asked to transfer moneys from programs Congress has protected over many years without assurance these programs will be maintained.

Adoption of these proposals would not simplify administrative procedures, reduce costs, result in elimination of all Federal controls or make these programs more responsive to public needs. The coalition recognizes the revenue needs of State and local units of government.

We are confident that workable alternatives to the administration's revenue-sharing proposals will come forth and be of help.

This brings me, Mr. Chairman, to the statement of opposition to the administration's revenue sharing and departmental reorganization proposal that has been adopted by the member organizations of the Coalition of General Farm and Commodity Organization:

> With the farm parity index now standing at 70—the lowest level of farm prices since the Great Depression—farm programs deserve representation in the President's Cabinet. Certainly this is not the time to relegate farming to a subCabinet status. The undersigned organizations, therefore, oppose the President's departmental reorganization proposal.
>
> The President's revenue sharing proposal is offered as a separate program. But the proposals are directly related. The relationship is especially significant over a longer range study of the proposals.
>
> ### COMMON IMPLICATIONS OF REORGANIZATION AND REVENUE SHARING
>
> The President's reorganization and rural development revenue sharing proposals have in common at least three broad and long-range implications:
>
> 1. Both are proposals with the common objective of abolishing the United States Department of Agriculture and of diminishing the farmers' voice and influence on the Federal Government.
>
> 2. Both would remove programs and agencies from the direct control of an accountable Secretary of Agriculture—revenue sharing by turning programs over to the states, and reorganization by shifting agencies and programs to other departments.
>
> 3. Both tend to shift the primary focus of government agencies and programs away from benefiting farmers as such, and toward rural development in general. Farm programs would likely not fare well under these proposals.
>
> Farming is the number one business in rural America, and farming is the number one activity for generating the income of bankers, grocers, implement dealers, and others in rural communities and small towns. In this sense, farming is the foundation on which rural development must be built, rather than vice versa.

In conclusion, Mr. Chairman, I would like to submit the following written materials to the Committee:

Exhibit A is a list of the member organizations of the Coalition of General Farm and Commodity Organizations that approved the statement that I have presented.

Exhibit B is an explanatory summary of the administration's departmental reorganization and revenue-sharing proposals.

I respectfully request that these two exhibits be made a part of the hearing record at this point.

Senator HUMPHREY. It will be done at this particular point. They will be printed in total, at this point in the record.

Mr. HEINKEL. Thank you, Mr. Chairman.

(The exhibits follow:)

Exhibit A

MEMBER ORGANIZATIONS OF THE COALITION OF GENERAL FARM AND COMMODITY ORGANIZATIONS

John W. Scott, Master,
The National Grange,
1616 H Street, N.W.,
Washington, D. C. 20006

Tony T. Dechant, President,
National Farmers Union,
P. O. Box 2251,
Denver, Colorado 80201

Mr. Gene Moos, President,
National Assn. of Wheat Growers,
Edwall, Washington 99008

Oren Lee Staley, President,
National Farmers Organization,
Corning, Iowa 50841

Fred V. Heinkel, President,
Midcontinent Farmers Association,
201 South Seventh Street,
Columbia, Missouri 65201

C. A. Duzan, Chairman,
United Grain Farmers of America,
Oakland, Illinois 61943

Paul Affeldt, President,
Pure Milk Products Cooperative,
Box 350,
Fond du Lac, Wisconsin 54935

Elbert Harp, President,
Grain Sorghum Producers Assn.,
1212 14th Street,
Lubbock, Texas 79401

Walter Goeppinger, President,
National Corn Growers Assn.,
P. O. Box 358,
Boone, Iowa 50036

Alvah F. Troyer, President,
Soybean Growers of America,
Route #2,
La Fontaine, Indiana 46940

Russell C. Schools, Exec. Secretary,
Virginia Peanut Growers Assn.,
Capron, Virginia 23829

George B. Blair, Exec. Vice President,
American Rice Growers Co-op Assn.,
Lake Charles, Louisiana 70601

Al E. Mercker, Executive Secretary
Vegetable Growers Association,
1616 H Street, N.W.,
Washington, D. C. 20006

Harry B. Caldwell, Exec. Vice President,
Farmers Cooperative Council of North Carolina,
P. O. Box H-1
Greensboro, N. C. 27402

Ray Wax, President,
Natl. Assn. of Farmer-Elected Committeemen
Pine Lawn Farms,
Newman, Illinois 61942

J. B. Kirklin, Exec. Vice President,
Trans-Pecos Cotton Association,
1122 Meadowbrook,
Pecos, Texas 79772

B. J. Malusky, General Manager,
Farmers Union Grain Terminal Assn.,
St. Paul, Minnesota 55101

T. H. Stiechen, General Manager,
Farmers Union Central Exchange,
St. Paul, Minnesota 55101

Ross Wilson, Manager,
Southwestern Peanut Growers Assn.,
Gorman, Texas 76454

Exhibit B

EXPLANATORY SUMMARY OF PRESIDENT NIXON'S DEPARTMENTAL REORGANIZATION AND REVENUE SHARING PROPOSAL

Departmental Reorganization: On March 30, President Nixon submitted four bills to the Congress on departmental reorganization.

The four bills would abolish seven departments of the Federal government—Department of Labor, Interior, Agriculture, Transportation, Health-Education-Welfare, Housing and Urban Development, and Commerce—and scatter the functions and programs of these departments among four new Departments of Natural Resources, Human Resources, Economic Affairs, and Community Development.

The Department of Agriculture would be dismantled, and its functions spread among all of the four new departments. For example, the Farmers Home Administration would go to Community Development, the Forest Service and Soil Conservation Service would go to Natural Resources, and the Food and Nutrition Service would go to Human Resources.

The Department of Economic Affairs would receive most of the USDA's programs and agencies. With the exception of the CCC and the Federal Crop Insurance Corporation, a new Farms and Agriculture Administration to be established in the Economic Affairs Department would be the only *farm* agency that would have to be established in any of the proposed departments. Except for these, USDA agencies could be renamed or dismantled and their functions administered as the Secretary of the new department would determine. The Farms and Agriculture Administration of the Department of Economic Affairs would take over the price support and production control functions of the Agricultural Stabilization and Conservation Service.

There is confusion as to what would actually happen to particular programs under the reorganization scheme. For example, personnel of the Farmers Home Administration would be shifted to the Department of Community Development. However, FHA's farm operating loan program would remain in the Farms and Agriculture Administration of the Economic Affairs Department. This apparently does *not* mean that these loans would actually be administered by Economic Affairs; Farmers Home would continue to administer the loans out of the funds channeled through the Economic Affairs Department. The reason for continuation of this administrative arrangement for operating loans: Only FHA has the deliverty system (field offices, trained field personnel) to make the loans available to farmers.

Farm programs would be lowered at least one rung on the hierarchical ladder by the President's reorganization scheme. Farmers and rural people have enough difficulty with the Office of Management and Budget (formerly Bureau of the Budget)—which now stands between USDA and the President—in getting adequate funding for farm and rural programs. Under the President's reorganization scheme, farmers would have to go through not only the OMB but also the Secretary of Economic Affairs in getting funds budgeted for essential programs. And because the present Departments of Labor, Transportation and Commerce also would be located in the Economic Affairs Department, agriculture would be thrown into direct competition with labor, business, and other programs for funding within the Department of Economic Affairs.

Rural Revenue Sharing: President Nixon is submitting seven "revenue-sharing" bills to Congress this year. One bill would provide for "general revenue-sharing," in that it would make available to the states about $5 billion to use for virtually any type of programs. The other six bills provide for "special revenue-sharing;" they would make available to the states a total of $11 billion to be divided among six broad program areas: law enforcement; manpower training, transportation, education, urban community development, and rural community development.

The rural community development revenue-sharing bills would turn over to the states a total of $1.1 billion of federal revenues. The Administration's rural development revenue-sharing plan was described by the President in a March 10 message, and the bill itself went to Congress on April 6.

Under the rural development revenue-sharing plan a number of Federal programs would be abolished and the money turned over to the states for use in any manner consistent with so-called "rural development" use.

According to the President's April 10 message, the Federal categorical programs to be ended and the amounts to be turned over to the states are as follows:

Rural development revenue sharing: Where the money would come from

[Millions of dollars]

Programs:	
1. Appalachian Regional Commission and other rural commissions	316
2. Economic Development Administration	227
3. Agricultural Extension Service	149
4. Rural environmental assistance program (ACP)	140
5. Rural water and sewer grants	42
6. Other Federal programs	43
7. New money	179
Total	1, 100

Two types of expenditures could be expected to "soak up" much of the shared revenue before it reaches farmers and ranchers in the form of REAP payments and other programs.

First, state officials—hard presed to stretch their tax revenue to cover all of the spending demands that are made upon them—would be tempted to use the shared funds to fulfill matching requirements of other programs rather than to continue the existing agencies and programs.

Among the other Federal-state categorical grant-in-aid programs that could be construed as "rural" and therefore would qualify for the states' matching share to be made up of revenue acquired by the states under this bill are: secondary ("farm-to-market") road construction, hospital construction in rural areas, and meat and poultry inspection. To the extent that the states would use the funds provided by the rural community development revenue sharing bill in this way, the states' *over-all* financial expenditures on rural programs would be reduced—thus sabotaging the apparent intention of the rural community development revenue sharing bill to enlarge rural development funding.

Second, a large part of the shared revenue would probably find its way into spending by states to induce industry to locate in rural areas. It is not too difficult to imagine the lobbying that industries will direct to Legislatures, Governors, and other state officials to rake off a share of the funds. As inducement to locate in rural areas, industries may want state construction of access roads to the plant, and state construction of water and sewer facilities at the plant. They may want purchase by the State of land for plant location. With the "free" money floating around as a result of revenue-sharing industries no doubt will demand costly inducements of this type to get them to locate in rural areas.

There are other ways to encourage rural industrial development, such as reinstating the seven percent investment tax credit for investments made in rural areas.

The Coalition opposes the President's revenue sharing proposal.

Mr. HEINKEL. Mr. Chairman, each of these organizations has a statement to make.

Mr. Carpenter, who is accompanying me, had a death in his family and we may have to leave a little sooner.

I would like to ask that my statement or our statement from Midcontinent Farmers Association be inserted in the record at this point and would like to just read the last section, if that is permissible.

Senator HUMPHREY. We identify this as the statement of Mid-Continent Farmers Organization, "The Urgent Need To Develop Urban America," and it will be printed in its full text in the record and then you make your excerpts from it.

Mr. HEINKEL. Farmers are by nature community builders, they cleared and plowed the land they produced. They build schools and churches and communities, but for the last 50 years we have been dealing with problems, emergencies, and crises. That has been done, and most can be justified: however, planning for a future rural development is sorely needed.

Someone has said that for the want of objective planning we dumped our social problems on the cities and our surplus on the world with great damage to the human social values of America.

What I am saying is that the farmers are the backbone of rural America and obviously are the key factors to build and maintain healthy rural communities.

About the only act of planning on a national basis was the Homestead Act. At least it had an objective. And of course the job of revitalizing rural America is the responsibility of the Congress and all the people, not just farmers. Our recommendations for further rural development, of adequate and nutritious diets for all. Farm producers are entitled to a fair return for their investment dollar. The market is an essential but not a sufficient mechanism for guiding farm production, meeting the food needs of the people and adequately compensating the producers.

Four, there are human values at stake in agriculture which are more important than just production efficiency as a goal of national policy. Location of new factories is very important to further development of rural areas. This in turn depends on the following:

An adequate and continuing water supply, an adequate sanitary sewerage system, adequate health services, including health centers, reasonable access to schools, churches, and recreation centers.

Add low-cost electric power and possibly this means expanding REA facilities. Aid to adequate housing.

Last and possibly most important of all, a new approach to land ownership. I did not say new type of ownership, but a new approach to land ownership, one that will help young men to acquire and control a farm without being haunted with the ever-present thought of foreclosure. This is not a new problem that has cropped up in the last year or two, but it has been with us for quite sometime.

We made a little progress on it. It would seem this might be accomplished by a government agency or corporation adequately funded to make or guarantee 100 percent loans on low-cost interest to be repaid over a period of 30 to 40 years by a small percent of gross income from the farm.

I do not know, and I did not say that we necessarily need a new agency. This could possibly be done through an existing agency, probably FHA. It has the authority to make ownership loans, but I would frankly have to say that it has been starved for ownership funds under this and previous administrations.

I put it this way: This one and the past administration, neither one provided adequate funds on the proper terms to help young farmers who are well-trained, competent, and qualified to be farmers and want to be farmers but for the want of finances are unable to become farmers.

That Mr. Chairman, concludes my statement for Mid-Continent as well as the presentation for the coalition.

(The prepared statement is as follows:)

Mr. Chairman and members of the Subcommittee, my name is Fred Heinkel, president of the Midcontinent Farmers Association with headquarters in Columbia, Missouri, and representing membership of over 152,000 members in Missouri, Arkansas, Oklahoma, Kansas, Nebraska, Iowa, Illinois and other adjacent states. For clarification members of the Midcontinent Farmers Association include members of the Missouri Farmers Association in Missouri and as aforestated a sizeable number of members from states that adjoin Missouri.

I am pleased to have the opportunity to appear here this afternoon before this distinguished subcommittee to present our views on the revitalization and development of rural America.

First, I wish to compliment Senator Talmadge, the Chairman of the Senate Committee on Agriculture and Forestry, for having the foresight to insist upon the incorporation of Title IX in the Agricultural Act of 1970 before its final passage. We view this provision as a mandate to develop an adequate balance between rural and urban America, and it further requires the Administration in power to provide factual information annually on federal programs and services rendered to the people of rural America.

I can truthfully say that this is one section of the Agricultural Act of 1970 which we in MFA can endorse in its entirety. Furthermore, it occurs to me that this subcommittee can prove itself to be of great benefit to rural America and the nation as a whole if it can bring to the surface the facts as they relate to our farm economy, the amount of substandard housing, the amount of substandard income that prevails in rural America, and as these facts are revealed constructive programs can be outlined which will develop and expand our rural areas in such a manner as to make all of America a better place in which to live.

Another important function that this subcommittee should undertake and hopefully accomplish would be to establish a better understanding between our rural and urban population.

Growth Policy.—It is estimated that by the year 2000 the population of the United States will increase by approximately 100 million people, making a total of over 300 million people.

Mr. Chairman, how these 300 million people are to be geographically located will in my opinion have a vital effect upon the economy, the ecology, and the future of America. If the current trend continues of millions of family size farms disappearing and with the trend that prevails today wherein over three-fourths of our population are crowded on less than two percent of the land, then we can expect discontent, poverty, ignorance, violence, crime, and other unsatisfactory conditions which could well destroy the economic and social standards we now enjoy and hopefully look forward to improving in the years to come.

Mr. Chairman, we in MFA support any measure that will serve to further rural community development not only on the farm but within the city boundaries of the farm community. We urge the Congress to enact agricultural laws and to establish agricultural policies that will serve to increase and materially improve the net farm income of farmers. A viable, prosperous, and healthy agriculture, the nation's greatest industry, is essential if our nation is to prosper and remain strong.

It is estimated that 30% of those persons gainfully employed in the United States are engaged in agricultural or agribusiness pursuits. We also submit that adequate financing of the basic industry—agriculture—in rural America is a cornerstone in rural community development.

Rural Community Development and Governmental Reorganization.—The Administration proposal of Governmental reorganization wherein the Department of Agriculture would be abolished is unquestionably a death blow to rural community development. To diffuse the Department of Agriculture into four new departments would create a situation where beneficial USDA programs and activities would "wither on the vine". It would mean that the Department of Agriculture, one of the oldest and most important in the nation, would cease to exist and would thereby deprive farmers of their present strong unified voice at Cabinet level. Chairman Talmadge commented, "This proposal would be similar to trying to cure a sick man by cutting out his heart."

Mr. Chairman, I want to state, however, that we do not belong to the "RC" Club" (resist change), but rather we would approve changes in the U.S. Department of Agriculture as may be necessary to make it more efficient and responsive to farmers.

Rural Community Development Special Revenue Sharing Proposal.—The MFA is opposed to the President's special revenue sharing proposal because it would have the effect of abolishing the present rural development programs that are now of benefit to rural communities.

State officials hard pressed to stretch their tax revenue to cover all of the spending demands that are made upon them would be tempted to use the share funds to fulfill matching requirements of other programs rather than to continue the existing agencies and programs. Therefore, much of the funds may be soaked up before it reaches farmers and ranchers in the form of REAP payments and other programs.

Among the other Federal-state categorical grant-in-aid programs that could be construed as "rural" and therefore would qualify for the state's matching share to be made up of revenue acquired by the states under this bill are: secondary ("farm to market") road construction, hospital construction in rural areas, and meat and poultry inspection. To the extent that the states would use the funds provided by the rural community development revenue sharing bill in this way, the states' *overall* financial expenditures on rural programs would be reduced—thus sabotaging the apparent intention of the rural community development revenue sharing bill to enlarge rural development funding.

Comments and Recommendations.—Farmers are, by nature, community builders. They cleared and plowed the land and made it produce. They built schools and churches and communities. But for the last 50 years we have been dealing with problems, emergencies and crises. What has been done and more can be justified. However, planning for future Rural Development is sorely needed.

Someone has said that for the want of objective planning we dumped our social problems on the cities and our surplus products on the world with great damage to the human and social values of America.

What I am saying is that farmers are the backbone of Rural America. Then obviously adequate fair farm prices and income are the key factor if farmers are to provide the economic fuel to build and maintain healthy "rural communities".

About the only act of planning on a national basis was the Homestead Act. At least it had an objective.

And, of course, the job of revitalizing rural America is the responsibility of the Congress and all the people—not just farmers.

Our recommendations to further the rural development process include the following guidelines:

1. Adequate and nutritious diets for all people is the fundamental objective of agriculture.
2. Farm producers are entitled to a fair return for their investment and labor.
3. The market is an essential but not a sufficient mechanism for guiding farm production, meeting the food needs of the people, and adequately compensating the producer.
4. There are human values at stake in agriculture which are more important than just production efficiency as a goal of national policy.

Location of new factories is very important to further development of rural areas. And this in turn depends on the following:

1. An adequate and continuing water supply.
2. An adequate sanitary sewer system.
3. Adequate health services including health centers.
4. Reasonable access to churches, schools, and recreation centers.
5. An adequate labor supply and training facilities.
6. Good highway system.
7. Adequate low cost electric power—possibly this means expanding REA facilities.
8. Adequate housing.

Last and possibly most important of all, a new approach to land ownership. One that will help young men to acquire and control a farm without being haunted with the everyday thought of foreclosure.

It would seem this might be accomplished by a government agency or corporation adequately funded to make or guarantee 100 percent loans on low interest to be repaid over a period of 30 to 40 years by a small percent of the gross income from the farm.

Mr. Chairman and members of the subcommittee, we thank you for the opportunity of appearing here.

Senator HUMPHREY. Thank you very much.

I think you will be pleased to know that the Committee on Agriculture and Forestry is now perfecting new legislation on farm credit for the Farmers Home Administration which we hope will go a good deal further than present policies. This is the result of the study that was made, I think, a year or so ago and the proposals that were presented to the Congress.

Mr. HEINKEL. We had testified in support of that.

Senator HUMPHREY. Yes, I understand that you did.

All right. The next member of your panel to testify I believe, am I correct, is Mr. Dechant.

STATEMENT OF TONY T. DECHANT, PRESIDENT, NATIONAL FARMERS UNION

Mr. DECHANT. Mr. Chairman and members of the subcommittee. I am pleased to have the opportunity to testify today before the

Rural Development Subcommittee of the Senate Committee on Agriculture and Forestry.

I want to first of all associate myself with the coalition statement that Mr. Heinkel has just presented to the committee, and then I would like to present a detailed statement for publication in the hearing record. I will not take the time to read it, Mr. Chairman, but will summarize it for you briefly at this time.

Mr. HUMPHREY. We will welcome that, and the full text of whatever you have to present here will be printed in the record as if delivered.

Mr. DECHANT. Thank you.

Mr. Chairman, let me preface my remarks by commending you with the way your hearings for today and tomorrow are structured.

The questions of balanced population growth, rural development, and the administration's rural revenue sharing and departmental reorganization proposals are related to each other in such a way that separate consideration of them would be unrealistic. We appreciate the opportunity to discuss all of these matters in our testimony today.

I am especially pleased with the opportunity afforded by this hearing to relate the problems of adequate farm income and rural development to each other. In formulating policies for rural development, we must keep constantly in mind that farming, as my long-time friend Fred Heinkel has said, is the number one business in rural America, and that farming is the number one activity for generating the income of bankers, grocers, implement dealers, and others in rural communities and small towns.

A strong agricultural sector, therefore, is the foundation on which rural development must be built. With the farm parity ratio currently at 70, it is obvious that a major element of any rural revitalization policy must involve the strengthening of farm income.

There is a pressing need in the United States for a balanced national growth policy. By the end of this century, 100 million people will be added to our population. If present trends continue, most of the 300 million Americans of the year 2000 will be concentrated on a very small percentage of our Nation's land. We see very clearly the mounting dangers in continued migration out of rural America and into the Nation's overcrowded cities and suburbs. We must stop and reverse this senseless rural out-migration. We must stem the tide of disaster that will be the result of failure to correct the population imbalance.

We urge the Congress now to enact a major policy devoted to population distribution. We believe that policy should provide at least two new arms of government.

(1) We should have a Council on Population Density and Rural Development. The Council should be established as a unit within the Executive Office of the President, with formal status comparable to the Council of Economic Advisers and other agencies within the President's Office. Its job would be mostly one of promotion to publicize and crystallize public support for policies and programs to bring about rural development and population dispersion.

(2) We must establish a rural development credit bank to help do the job of capital financing that will be required to achieve our goal. A separate credit bank is required especially to take on the ex-

pensive task of industrial development—of encouraging and stimulating industries to locate plants in rural areas.

In addition to creation of new institutions such as the Council on Population Density and Rural Development and the credit bank, a major policy enacted by Congress on population distribution would provide a framework of support for specific, nuts-and-bolts type rural development programs. Only when we have a basic policy commitment to balanced growth and rural redevelopment can we expect maximum results in achieving concrete, operating programs for industrial relocation, rural housing, health services delivery to rural people, improved rural communication and transportation systems, and other elements of rural revitalization.

Mr. Chairman, it is our concern for this need of broad national policy that dominates much of my thinking as I comment on the legislation now under consideration.

We support the objective of rural development around which the administration's revenue-sharing bill is formulated. We much reject, however, much of the content of the revenue-sharing bill because it is at odds with this objective.

Our convention delegates stated explicitly that we must reject any plan which would deny funds to the agencies of the U.S. Department of Agriculture to carry out their programs.

We have looked for evidence that these programs might be continued under State sponsorship, but we do not find it. We note that with the exception of the Agricultural Extension Service, no maintenance of effort on the part of the States is required on any of the programs. Indeed, to the extent that States might use some of the funds on secondary roads, hospitals in rural areas, and for meat and poultry inspection, important as they are, they might be able to actually reduce expenditures of State funds for rural programs. Thus, the apparent intention to enlarge rural development funding would be sabotaged, not aided.

There is not enough "new money" in the rural revenue sharing proposal to be significant.

We are not for continuing programs after their importance has faded. But some of the programs that would be phased out are increasing in significance. I mention as specific examples the sewer and water grants, the rural environmental assistance program, and such regional programs as the Appalachian Regional Commission.

We are concerned about another possibility that could result in reduced expenditures for rural development. It is the competition that could be expected to come from other interests. Undoubtedly, industries would become major competitors for funds. We recognize that it is desirable to have programs which will help rural areas attract industries. Any broad revitalization of rural America, of course, has to have this in mind.

However, we think there are better ways than taking funds from rural programs. An example would be loans from the rural development credit bank. Another example might be use of credit on taxes for investments made in rural areas.

Our concerns are in no way diminished as we study the companion legislation to revenue sharing—the departmental reorganization proposal. Under this proposal, the U.S. Department of Agriculture would be abolished, of course. Its functions would be spread among four new agencies.

This is not the first proposal to reorganize the executive branch of Government of course. Every President since Franklin D. Roosevelt has submitted such proposals. A central feature of such plans has generally been the raising or lowering of agencies in the hierarchical framework in order to increase or reduce their importance.

Under this proposed reorganization, the agencies that now function in the U.S. Department of Agriculture would clearly be lowered as a result of the fragmentation that would occur. We already have difficulty getting around the Office of Management and Budget as we try to implement and fund programs. What would it be like if we also had to fight our way through four different Cabinet members to the seat of executive power?

The revenue sharing and reorganization plans have much in common.

Both would abolish the U.S. Department of Agriculture and diminish the farmer's voice in the executive branch of Government.

Both would remove programs from control of the Secretary of Agriculture, a Cabinet member charged with primary responsibility for rural programs.

Both would shift the focus of Government away from the farmer toward rural development generally, leaving the farmer to receive only trickle-down benefits.

We believe these are wrong directions. We do not believe rural America can be redeveloped by weakening the farmer's voice. We do not believe rural America can be redeveloped by reducing the national effort required to deal with the problems.

Mr. Chairman, I urge you and your subcommittee to take the lead in redirecting our course toward strengthening the Department of Agriculture and its programs in a renewed national effort for both rural development and farm program administration.

The National Farmers Union fully supports you as you work toward this essential goal.

Thank you.

Senator HUMPHREY. Thank you very much, Mr. Dechant.

I thought we would complete all the testimony here first, the four panelists, and then come to the questions, if that is agreeable to all of you.

I understand you want your more extensive statement to be printed immediately at this point in the record following your oral testimony?

Mr. DECHANT. I would appreciate it, Mr. Chairman.

Senator HUMPHREY. Yes, that will be done.

(The prepared statement of Mr. Dechant is as follows:)

Mr. Chairman, Members of the Subcommittee, I am pleased to have the opportunity to testify today before the Rural Development Subcommittee.

The National Farmers Union has followed the work of this new Subcommittee with great interest. We are convinced—as I am sure you are—that this Subcommittee can play a central role in coming to grips with the interrelated problems of rural America.

I particularly commend the Subcommittee for the way that hearings for today and tomorrow are structured. The questions of balanced population growth, rural development, and the Administration's rural revenue sharing and departmental reorganization proposals are related to each other in such a way that separate consideration of them would be unrealistic. We appreciate the opportunity to discuss all of these matters in our testimony today.

I am especially pleased with the opportunity afforded by this hearing to relate the problems of adequate farm income and rural development to each other. In formulating policies for rural development, we must keep constantly in mind that farming is the number one business in rural America, and that farming is the number one activity for generating the income of bankers, grocers, implement dealers, and others in rural communities and small towns.

A strong agricultural sector, therefore, is the foundation on which rural development must be built. With the farm parity ratio currently at 70, it is obvious that a major element of any rural revitalization policy must involve the strengthening of farm income.

Mr. Chairman, there is a pressing need in the United States for a balanced national growth policy.

By the end of this century, 100 million people will be added to the population of the United States. If present trends are allowed to continue, most of the 300 million Americans of the year 2000 will be concentrated on a very small proportion of the nation's land area. Projections of the Urban Land Institute place 60 percent of the country's population—or 187 million persons—in just four huge urban complexes. One continuous urban strip, containing 68 million people, will extend 500 miles down the Atlantic seaboard from North Boston to South of Washington, D.C. Another, with 61 million, will run from Utica, New York along the base of the Great Lakes as far as Green Bay, Wisconsin. Some 44 million persons will live on a Pacific strip between the San Francisco bay area and the Mexican border. A fourth concentration, with 14 million will extend along the Florida east coast from Jacksonville to Miami and across the peninsula to Tampa and St. Petersburg.

Furthermore, most of the remaining 40 percent of Americans will also live in urban concentrations.

If present migration patterns continue for the next three decades, 77 percent of the coming 300 million Americans will reside on 11 percent of the land (excluding Alaska and Hawaii). Only 12 percent of the population will be outside urban areas of 100,000 or more population.

Today, with 26.5 percent of Americans still living in places of 2,500 inhabitants or less, we can already see very clearly the mounting dangers in a continued migration out of rural America and into the nation's overcrowded and congested cities and suburbs. We must stop and reverse this senseless rural out-migration.

To do this, we desperately need an explicit, national population distribution policy. Title IX of the Agricultural Act of 1970, which contains a commitment by the Congress to a sound balance between rural and urban America, was a good step in this direction. But we urge the Congress now to enact a major policy devoted to population distribution in the way that the 1946 Employment Act attacks unemployment and the 1964 Economic Opportunity Act is designed to alleviate poverty in America.

BASIC PROVISIONS OF A BALANCED GROWTH POLICY

Farmers Union recommends that national policy on population should contain at least two major provisions:

(1) The law should provide for creation of a Council on Population Density and Rural Development, as a unit within the Executive Office of the President. Structurally, the new unit could be patterned after the Council of Economic Advisers—with a 3-member council appointed by the President with the consent of the Senate and with provision for professional staff to serve the Council.

The Congress may or may not want to create a joint committee on rural development and population dispersion, comparable to the Joint Economic Committee.

The primary function of the Council on Population Density and Rural Development would be to publicize and crystallize public support for policies and programs to bring about rural development and population dispersion. Its role would be mostly advocacy, rather than research.

By encouraging public awareness of the need for more geographical balance of population and more support for comprehensive rural revitalization, the Council would seek to provide the climate of opinion and the general framework within which to achieve *specific* programs to serve rural areas and people.

The argument for rural public housing, for example, will take on real meaning if it is made within a basic commitment to rebuilding the less populated areas of the United States. The same kind of added impetus would be given to policies to encourage greater movement of industry to rural environs, for better community health centers in less populated areas, for improved transportation networks linking rural communities with each other and with more populated centers, and for all the other programs and policies that would be part of rural development.

The point is that in order most effectively to push for specific programs to build rural America, we need a basic policy commitment to balanced growth and rural redevelopment. Then and only then can we expect to get maximum results in achieving *concrete* government programs for industrial relocation, rural housing, delivery of health services to rural people, improved rural transportation and communication systems, and other elements of rural development.

In a real sense, the Council on Population Density and Rural Development would work in the interest of urban as well as rural America. Since a basic governmental commitment to revitalization of rural America could halt and perhaps reverse the drift of people toward urban areas, this would alleviate pressures on urban welfare roles, public housing needs, water and fuel requirements, and other items of expenditure in cities and suburbs. Environmental protection would be advanced in several ways, including greater location of industry in open spaces and retention of people on the land to protect soil and water resources.

(2) In addition to creating the Council on Population Density and Rural Development, the balanced growth policy should establish a Rural Development Credit Bank.

The delegates to National Farmers Union's 1971 Convention adopted the following policy statement in support of a Rural Development Credit Bank:

"We urge the Congress to create a new, federally chartered Rural Development Credit Bank to provide increased capital financing for a wide range of rural development programs. The bank should be independent of the Farm Credit System and other existing farm and rural credit institutions. It should be started with 'seed money' appropriated by the Federal Government—perhaps $1 billion—and should operate as a public-private corporation. The bank would make loans for rural housing, water and sewer systems, water resource projects, recreational facilities, and other activities for the renewal of rural areas of the nation.

"The Rural Development Credit Bank should be supplementary to—and in no way competitive with—existing fram credit lending programs."

Up to this point, Mr. Chairman, the financing for rural development programs has come about primarily as an auxiliary to *farm* credit. The Farmers Home Administration which traditionally has made farm ownership and operating loans, has now expanded its loan and grant activities in rural housing and in rural community water and waste treatment plants. The Rural Economic Opportunity Loan Program has been administered by Farmers Home Administration under the auspices of the Office of Economic Opportunity. The Farm Credit System has made loans for farm housing, and now has legislation pending to get into non-farm rural housing as well.

National Farmers Union has actively supported the evolution of these rural development programs as adjuncts to farm credit institutions. Indeed, in light of the close connection between rural and farm people—and the pressing poverty needs of rural areas—this appears to have been the correct and necessary way to proceed up to this time.

However, we cannot continue to rely upon basically agricultural credit institutions as the sole or even primary source of credit for an expanding network of rural development undertakings. To overextend the already-strained sources of farm credit by trying to make them fulfill the entire credit needs of rural development would be counter-productive not only to promoting a healthy agricultural sector, but also to actually accomplishing revitalization and population dispersion.

This is particularly the case as we expand rural development programs beyond direct services to rural people such as housing and residential water supply programs, and into industrial development to provide non-farm jobs for rural inhabitants. Increased employment opportunities in rural areas is an essential part of rural revitalization, since geographical distribution of population is determined in large part by the distribution of jobs. At the same time, however, inducements to industry to locate plants in rural areas can be highly expensive.

To serve as the primary source of such costly financing needs, a separate Rural Development Credit Bank should be established. Because the benefits of greater population dispersion would be shared by all Americans—urban and rural alike, the costs, we think, should be similarly shared. A separate bank to supply credit for industrial and other elements of rural development would help to supply adequate credit for these purposes and to spread the burden more broadly among credit sources.

RURAL COMMUNITY DEVELOPMENT REVENUE SHARING

In discussing rural revenue sharing, Mr. Chairman, I want to stress from the outset that Farmers Union fully supports the objective of rural development around which this revenue-sharing bill is formulated. Farmers Union is convinced, however, that the revenue-sharing proposal put forth by the Administration is the wrong way to go about reviving and strengthening our rural areas.

At our National Convention held February 24-27 of this year, the membership of Farmers Union adopted the following Statement of Policy:

"We asknowledge that the system of progressive taxation at the Federal level is superior to the system of taxation in the states. A better alternative to revenue-sharing is improved programs of federal grants-in-aid to states and federal-state cost-sharing, especially in supplementing property taxes which are increasingly due to increasing costs of financing educational programs."

As a part of Farmers Union's "Legislative Target Program" for 1971, the voting delegates at the February 24-27 Convention unanimously called for:

". . . rejection of any revenue plan which would deny agencies of the Department of Agriculture funds needed to fulfill their traditional function in behalf of farm families.

At the very time that a national consensus on the necessity of stopping the rural out-migration and promoting greater dispersion of U.S. population is emerging, it would indeed be tragic if we were to destroy the network of Federal-state-local cooperative rural development programs that can move us toward these objectives. This could be the unfortunate result of enacting the Administration's rural community development revenue sharing proposal, for with the exception of the agricultural extension program there is no maintenance-of-effort requirement in this legislation which would assure continuation by the states of the Federal agencies and programs that would be the primary source of funds to be shared with the states. Indeed, the provision in this bill that would allow states to use the shared funds to meet matching share requirements of remaining Federal categorical grant programs which contribute to rural development would *encourage* the states—hard-pressed as they are to stretch their tax revenue to meet the escalating demands on them for services—to use the funds that would be turned over to them to fulfill such matching requirements rather than to continue the existing agencies and programs.

Among the remaining Federal-state categorical grant-in-aid programs that probably would be construed as "rural" and therefore would qualify for the states' matching share to be made up of revenue acquired by the states under this bill are: secondary ("farm-to-market") road construction, hospital construction in rural areas, and meat and poultry inspection. To the extent that the states would use the funds provided by the Rural Community Development Revenue Sharing Act in this way, the states' *overall* financial expenditures on rural programs would be reached—thus sabotaging the apparent intention of the Rural Community Development Revenue Sharing Act to enlarge rural development funding.

Neither is there sufficient "new money" in this legislation to allow increased funding for rural development. According to the President's Message on Rural Development Revenue Sharing, the bill contains $179 million of funds not drawn from existing Federal programs. However, if we examine only two of the eleven Federal programs from which funds are drawn—the Appalachian Regional Commission and Rural Environmental Assistance Program—we find that the President's figures on funding levels that form the basis of revenue to be shared is $79.5 million ($55.5 million for REAP; $24.0 million for ARC) *below* the levels appropriated by Congress for fiscal year 1971. When one discounts for these arbitrary reductions, the new money figure drops below $100 million. If we discount further to allow for inflation, the amount of new money in the bill becomes relatively insubstantial.

Of course, we would all agree that existing Federal-state programs should not be uncritically extended beyond the duration of their usefulness in solving the problems of our society. However, several of the programs that would be phased out as Federal-state categorical grant-in-aid functions are of *increasing* significance as ways of coping with nationwide problems. These include:

*The Rural Water and Sewer System Program—from which $42 million of Federal grant funds would be turned over to the states. With enactment last year of legislation to get around the problem invloving tax exemption of "association" loans, the water and sewer planning-construction program has now reached a "take-off point" from which it can become a crucial element in the Farmers Home Administration's network of rural development programs.

Unfortunately, inclusion of the water and sewer grants in the revenue-sharing bill would seriously disrupt this program just as it becomes truly effective. This would occur because the grant and loan aspects of the program would be split apart with the grant money going to the states while jurisdiction over loans remains with the Federal Farmers Home Administration. In practice, the loans and grants tend to be interrelated and mutually-supportive parts of individual water and sewer construction projects undertaken by local communities and associations. Approximately 65%, or ⅔rds of water and sewer projects administered by the Farmers Home Administration under the Poage-Aiken bill to this date have involved a *combination* of a grant and a loan. Many of these projects could not have been undertaken if only loans had been available from Farmers Home Administration—the situation that would exist under the pending revenue-sharing bill.

Of course it would be possible for local associations to acquire, simultaneously, a loan from the Federal Government and a grant from the state. But this would involve the kind of complexity and "red tape" that this bill ostensibly is designed to alleviate. It is clearly preferable, we think, to leave the whole funding source—loans and grants—under the unified direction of the Farmers Home Administration.

*The Rural Environmental Assistance Program (REAP, formerly ACPA)—which would be replaced by $140 million of shared Federal revenue.

The REAP is—as its new name implies—an integral part of the environmental protection policies of the United States. In view of the Nation's long overdue commitment to the protection and renewal of the land, water, and other elements of our previous natural environment, a *nationwide* Rural Environmental Assistance Program, not a program that may be continued in one state but discontinued in another, is what is needed. And the practices carried out under the REAP have proven highly effective in combatting air, water, and land pollution; they stop pollution at the source where it can be done more efficiently. Furthermore, the local farmer-selected ASC Committees have primary responsibility for administering REAP practices, thus allowing the local control that has been a prime rationale for revenue-sharing as proposed in this legislation.

*The Agricultural Extension Service, which would give way to $149 million of shared revenue. Again, implementation of the pending revenue-sharing proposal with regard to the Extension Service would violate many of the stated objectives of revenue sharing, and would destroy one of the most effective federal-state-local governmental partnerships thus far developed in this country. During March 9-11, 1971, the Extension Service sponsored a Workshop in Washington, D.C., on its evolving role in rural development. The Rural Community Development Revenue Sharing Act, if adopted, could remove the educational component supplied by the Extension Service that is so crucial to a successful rural development effort.

*The Applachian Regional Commission, other Regional Commissions, and Economic Development Administration—which collectively would be the source of $543 million of shared revenue.

Many of the programs of these agencies—including the entire approximately $300-million-per-year undertaking of the Appalachian Regional Commission—are administered on an interstate regional level. This TVA-type regional approach has proven highly effective in promoting rural development and in combatting rural poverty.

This regional approach for administration of rural development programs could be the most tragic casualty to result from enactment of the Rural Community Revenue Sharing Act. Although theoretically the states could continue the regional programs under an interstate compact arrangement, it is all but certain that they would not do so at anything near the present level of funding. Faced with increasing demands for services from their own citizens, states are politically compelled to allocate their tax sources primarly within their own boundaries. They are understandably reluctant to commit their scarce-tax funds to interstate programs, regardless of the merit of such programs.

To us, this means that the Appalachian Regional Commission and the other regional agencies and programs working for rural development should not be disrupted, and should continue to operate in essentially their present form.

Mr. Chairman, if we could be confident that the states would spend the revenue to be shared under this bill to continue existing programs in full force or to finance other programs that are equally beneficial to farmers and other rural people, then the rural revenue sharing would be less objectionable.

Unfortunately, there is good reason to suspect that much of the shared revenue would be "soaked up" before it reaches rural people in the form of REAP payments and other programs.

I have already mentioned that some of the money would be taken up in meeting state matching requirements of Federal-state grant-in-aid programs not included in the revenue-sharing package.

In addition much of the shared revenue would probably find its way into spending by states to induce industry to locate in rural areas. It is not too difficult to imagine the pressures that industries will direct at state officials and agencies to rake off a share of the funds. As inducement to locate in rural areas, industries may want state construction of access roads to the plant, and state construction of water and sewer facilities at the plant. They may want purchase by the state of land for plant location. With the "free" money floating around as a result of revenue-sharing, industries no doubt will demand costly inducements of this type to get them to locate in rural areas.

As I said earlier, there is a lot that can be said for encouraging industry to locate plants in rural areas, in order to make jobs available to underemployed rural people. But there are better ways to accomplish this, such as loans from the Rural Development Credit Bank that I discussed earlier or by reinstating the seven percent investment tax credit for investments made in rural areas. It should not be accomplished by draining funds away from REAP and other successful existing programs.

DEPARTMENTAL REORGANIZATION

On March 30, President Nixon submitted four bills to the Congress on departmental reorganization.

The four bills would abolish seven departments of the Federal government—Departments of Labor, Interior, Agriculture, Transportation, Health-Education-Welfare, Housing and Urban Development, and Commerce—and scatter the functions and programs of thehe departments among four new Departments of Natural Resources, Human Resources, Economic Affairs, and Community Development.

The Department of Agriculture would be dismantled, and its functions spread among all of the four new departments. For example, the Farmers Home Administration would go to Community Development, the Forest Service and Soil Conservation Service would go to Natural Resources, and the Food and Nutrition Service would go to Human Resources.

The Department of Economic Affairs would receive most of the USDA's programs and agencies. Indeed, with the exception of the CCC and the Federal Crop Insurance Corporation, a new Farms and Agriculture Administration to be established in the Economic Affairs Department would be the only *farm* agency that would have to be established in any of the proposed departments. Except for these, USDA agencies could be renamed or dismantled and their functions administered as the Secretary of the new department would determine. The Farms and Agriculture Administration in the Department of Economic Affairs would take over the price support and production control functions of the Agricultural Stabilization and Conservation Service.

There is confusion as to what would actually happen to particular programs under the reorganization scheme. For example, personnel of the Farmers Home Administration would be shifted to the Department of Community Development. However, FHA's farm operating loan program would remain in the

Farms and Agriculture Administration of the Economic Affairs Department. This apparently does *not* mean that these loans would actually be administered by Economic Affairs; Farmers Home would continue to administer the loans out of the funds channeled through the Economic Affairs Department. The reason for continuation of this administrative arrangement for operating loans: only FHA has the delivery system (field offices, trained field personnel) to make the loans available to farmers.

Of course one crucial question is—How would the reorganization affect farmers and farm income? With the farm parity index now standing at 70—the lowest level of farm prices since the Great Depression, certainly no reorganization is justified that could lead to even lower farm income.

Mr. Chairman, the President has accompanied his reorganization proposals with a barrage of rhetoric designed to blur and hide the implications of the reorganization scheme for farm income. Nevertheless, the general thrust of his proposal is clearly discernible.

The truth is that at least since the Administration of Franklin Roosevelt, Presidents have tried to increase or decrease support for particular government programs by raising or lowering them in the bureaucratic hierarchy. The rule followed is this: If you *raise* a program closer to the President in the hierarchy, you increase the access to the President and increase the strength of that program. If you *lower* the program in the hierarchy, you make access to the President more difficult, and you lower the voice of that program in the bureaucracy as a whole.

Clearly, farm programs would be lowered at least one rung on the hierarchical ladder by the President's reorganization scheme. Farmers and rural people have enough difficulty with the Office of Management and Budget (formerly Bureau of the Budget)—which now stands between the USDA and the President—in getting adequate funding for farm and rural programs. Under the President's reorganization scheme, we would have to go through not only the OMB but also the Secretary of Economic Affairs in getting funds budgeted for essential programs. And because the present Departments of Labor, Transportation and Commerce also would be located in the Economic Affairs Department, agriculture would be thrown into direct competition with labor, business, and other programs for funding within the Department of Economic Affairs.

Furthermore, Mr. Chairman, there is no particular magic in the "basic goals" criterion for reorganization, which the President has invoked to justify his reorganization proposals, that makes a separate Department of Agriculture unwarranted and underfundable. Indeed, the President's own Reorganization Plan No. I of 1971, which consolidated VISTA and other voluntary agencies within a single organization, is not based upon a single goal.

In the agricultural area, a separate people, or farmer-oriented department is certainly justifiable. Just as this is not the time to deprive poor people of a strong Office of Economic Opportunity in the federal government as the Administration's reorganization and revenue sharing programs seem designed to do, this is not the time to relegate farming to a sub-Cabinet status. In view of the depressed level of farm prices, farm programs *deserve* representation in the President's Cabinet.

The Administration's rural development revenue sharing and executive reorganization plans are offered as separate legislative proposals. But the proposals are directly related. The rural revenue sharing and reorganization proposals have in common at least three important implications:

1. Both would remove programs and agencies from the direct control of an accountable Secretary of Agriculture—revenue sharing by turning programs over to the states, and reorganization by shifting agencies and programs to other departments.

2. Both tend to shift the primary *focus* of government agencies and programs away from benefiting farmers as such, and toward rural development generally. Farmers would benefit from government programs indirectly, as a part of rural development, rather than directly as farmers.

3. Both are proposals with the common objective of abolishing the United States Department of Agriculture and of diminishing the farmer's voice and influence on and within the federal government.

These developments that would result from the Administration's revenue sharing and reorganization proposals are, we think, wrong in their basic direction.

They are wrong because they would weaken farm policies and programs in the face of depressed conditions in the agricultural sector.

They are wrong because, at the very time that a consensus is evolving to undertake rural development as a *national* policy on a nationwide scale, they would dismantle national programs that are essential to achieve rural development.

They are wrong because, at a time when an organizational framework for coordination of farm and rural programs within the Department of Agriculture in an overall effort to revitalize rural America is emerging, the Administration's proposals would abolish the Agriculture Department and fragment this structure for coordination.

Mr. Chairman, I urge you and your Subcommittee to take the lead in correcting these wrong directions by strengthening the Department of Agriculture and its programs for both rural development and farm program administration.

The National Farmers Union fully supports you as you work toward this essential goal.

Senator HUMPHREY. The next witness is Mr. Scott, master of the National Grange, to be followed by Mr. Staley.

STATEMENT OF JOHN W. SCOTT, MASTER, NATIONAL GRANGE

Mr. SCOTT. Senator Humphrey, we have prepared a rather lengthy statement because we felt it was necessary to build a strong case, using statistics and facts to show the urgency of developing a national growth policy, encompassing a sound rural development program which we feel is basic to the problem.

I will not read all of this statement—only some paragraphs that I feel need special emphasis.

We would appreciate the entire statement being made a part of the record of the hearings on rural development.

Senator HUMPHREY. Without objection, the entire statement will be at this point made a part of the record as if read so that it is in proper type print, all statements in that way, by the way.

Mr. SCOTT. Thank you, Mr. Chairman.

Senator HUMPHREY. Go right ahead now, Mr. Scott, with your presentation.

Mr. SCOTT. Mr. Chairman and members of the subcommittee, I am John W. Scott, master of the National Grange, with headquarters at 1616 H Street, NW., Washington, D.C.

The Grange is a farm and rural-urban community and family organization. The Grange was organized in 1867 by Oliver Hudson Kelley, after Kelley had viewed the devastation to rural America brought on by the War Between the States. It was Kelley's firm belief that a rural organization was needed to facilitate the rebuilding of rural areas.

It was in this rural setting that the Grange was conceived. After 104 years of service to rural America, we are continuing in our attempts to bring living standards of rural residents up to an even par with other segments of the economy. The same basic reasons for building rural America are as much alive today as they were in 1867, although due to a different set of circumstances.

The Grange appreciates this opportunity to add to the record of its continued expression of concern with the impoverished conditions in which thousands of rural Americans exist. If we have any one interest that stands above all others in our over a century of service to rural America, it is our interest in alleviating the conditions in American life which set those who obtain their economic rewards from the soil, or other residents of rural areas, apart from the rest of our society, both in income and the opportunity to enjoy increasing social benefits.

When the Grange was first organized it declared as its purpose:

> We desire a proper equality, equity, and fairness; protection for the weak; restraint upon the strong; in short, justly distributed burdens and justly distributed power. These are American ideals, the very essence of American independence, and to advocate the contrary is unworthy of the sons and daughters of an American republic.

The National Grange appears before you today, dedicated to a second century of service to rural America, and deeply concerned over the failure of that section of the economy to even keep up with the social benefits available to the Nation as a whole. Residents of rural areas should receive their fair share of the benefits realizable from an increasingly prosperous Nation.

To date, farm families, the backbone of rural development, have not shared in the economic benefits that are derived from an industrialized country. They have not received just compensation for their contribution to the general welfare of the Nation. Farm families, on an average, have only 78 percent of the purchasing power of their city cousins, while at the same time their efficiency of production has increased 35 percent since 1947–49.

The 104th Annual Session of the National Grange, held in November of 1970, once more drew the attention of the Nation to the problems of rural development and the need to improve programs to bring to an end the disparity between rural and nonrural residents.

The delegate body passed the following resolution setting forth National Grange policy regarding rural development:

> ### RURAL DEVELOPMENT
>
> The Grange has a long and distinguished record of community service and rural development. Thousands of rural areas have been the beneficiaries of social progress because of the efforts of the Grange.
>
> However, the present problems of the rural America are cause for concern by the President, the Congress, as well as the Grange. Our rural areas are being depleted of people at an accelerated pace, while seventy percent of our population now crowd into cities that cover one percent of our land area. This situation causes social-economic problems for both the rural and urban areas.
>
> Therefore, the National Grange reaffirms full support of public policy goals which will:
>
> 1. Provide parity of opportunity and services for rural people.
> 2. Stimulate the economy of rural areas.
> 3. Strengthen rural education, provide improved rural health programs and better housing.
> 4. Provide increased support for training programs, public facilities, recreational and cultural activities that will encourage job-creating enterprises in rural areas and thus lead to a better life for rural residents.

NATIONAL GROWTH POLICY NEEDED

I am sure that every member of this subcommittee recognizes as I do, the need for a balanced national growth policy. With 70 percent of the present U.S. population living on only 1 percent of the land, it is apparent even to a blind man that our major metropolitan areas are now overcrowded. We all can envision what will take place in the next decade, when the U.S. population reaches 300 million, if we do not now start to develop a balanced national growth policy.

I do not wish to merely add statistics to the record. But I do feel that we first must understand what population shifts have taken place and why we have such migration to urban centers before we can understand the real need for a balanced national growth policy.

In the past five decades, while U.S. total population has increased from 106 million to 203 million, and urban population from 54 million to 149 million, rural population has remained steady at just about 50 million. The farm sector of the rural population, however, has declined from 32 million in 1920, or three-fifths of the rural total, to fewer than 10 million, only one-fifth of the rural population.

For the past three decades, except for the years 1945 to 1950, the average rate of net outmigration of the farm population has been above 5 percent. Although the rate has remained high, the number of outmigrants has declined from about 1 million per year in the 1950's to about 600,000 in the 1960's due to the greatly reduced farm population base.

However, as the total farm population decreases the percentage of outmigration is increasing. For example, during World War II, an average of 1.6 million people left the farm population annually, compared with about 600,000 annually during the period of 1965–69. Yet, the much smaller numerical loss in very recent years has reflected a loss of more than 6 percent a year.

The result of this outmigration from 1960–70 means that the nonmetropolitan counties of the country grew—general increase in population—in population by 6.7 percent, while the metro counties were gaining by 16.6 percent. Since the rates of natural increase in these areas are rather similar, it is clear that the nonmetro areas were unable to retain all their potential growth and exported a sizable number of people to metro areas—a net of about 2.4 million outmigrants.

If the farm population, with its pronounced downward trend, is subtracted from the total nonmetro population, then one finds that the nonfarm nonmetro—which comprises the great majority of all nonmetro people—rose by 19 percent in the 1960's. This is a rate of growth exceeding not only the national average but even the metro average. The heavy decline of farm population has tended to mask the rapid growth of the nonfarm segment of the rural and small city population.[1]

We believe that the above highlights the problems facing rural America. Even with continued outmigration the percentage of rural nonfarm population is rising. On the surface this may seem as a reversing of the outmigration trend; however, one must also look at the employment and income situation to appreciate the complete picture.

Along with increased urbanization of the population, there is a continuing rural-urban disparity in income and economic activity. Although per capita income in nonmetropolitan areas has been rising at a faster rate than metro areas for the past 40 years, the percentage gain has not been fast enough to narrow the gap between metro and nonmetro incomes. In fact, the dollar gap has widened over the years. Nonmetro personal income, which increased at an average rate of 7.4 percent per year, compared with 5.9 percent metro, would have had to grow at a rate of 8.5 percent per year of this 40-year period to have closed the gap.

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[1] Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

In spite of improvement in nonmetro income in the 1960's, the generally lower level of income in nonmetro than metro area has produced a disproportionate extent of poverty among families outside metro areas.

In a national farm-nonfarm comparison, the percentage of farm families below the poverty level has remained consistently much higher than among nonfarm families. Similarly, the percentage in poverty outside metro areas continues higher than the percentage within.

To understand the relative income disadvantage in nonmetro areas, it is useful to consider the sources of that income. Agriculture represents a substantial component of nonmetro personal income, about 10 percent in 1959, only half as important a source of income as in 1950.

It might also be pointed out that the direct effect of the decline in farm income in the 1950–59 period on metro-nonmetro earnings can be seen by comparing total earnings and nonfarm earnings in the two types of areas. In the 1950-59 period, the percentage charge in total earnings in metro areas was 76 percent and in nonmetro areas, 49 percent. Nonfarm earnings, on the other hand, were 78 percent change in metro areas and 71 percent in nonmetro areas.

During the 1960's, the per capita personal income of the farm population from all sources more than doubled. The proportion of total income from nonfarm sources, during this period, has grown steadily larger. In 1960, income from nonfarm sources was only 38 percent of the total; by 1970, the proportion was 48 percent.

The number of farms in the United States has declined from nearly 4 million in 1960 to about 3 million in 1969. Nearly half (47 percent) of the farms in 1960 were in the sales class of less than $2,500; by 1969, the proportion was two-fifths. At the other end of the scale, farms with sales of $40,000 and over, rose from 3 percent in 1960 to 7 percent in 1969.

In 1969, the average income per farm operator was about equally divided between realized net income from farming and off-farm income. For operators in the $40,000 and over sales class, the portion of total income from off-farm sources was only 17 percent; for those in the sales class of less than $2,500, however, the share of total income from off-farm sources was 87 percent.[2]

I am sure that many conclusions can be drawn from the statistics that I have presented, but one thing stands out—American agriculture is moving through a change that is resulting in fewer and larger farms, with less requirements for man's labor. Although industrial expansion is taking place in rural America, it is not developing fast enough to absorb the manpower that is being released into the labor market from the advancing technology of American agriculture.

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[2] Economic Development Division, Economic Research Service, U.S. Department of Agriculture, May 1971.

The people that have been released from agriculture and who cannot find employment in nonmetro areas has, out of necessity, moved into metro areas, further aggravating the problems of our large cities. This is borne out by the following:

In the 1960–70 decade, nonmetropolitan America added 3.4 million new workers, or 17 percent more employed in 1970 than in 1960. This represents an increase from 19.9 million workers to 23.3 million.

During the same period, however, metro areas increased their number of workers from 46.2 million to 58.5 million, a 27 percent change. The trend for the United States during this period was an increase of 24 percent.

We are all too familiar with what has happened to the rural migrant that has left rural America to seek greater opportunity in metro areas. He is ill-equipped to find employment in the fast-growing service and management industries and untrained to fill the highly-skilled demand of manufacturing.

Migrants of rural origin who had moved to central cities were more likely than nonmigrants or migrants of urban origin to live in poverty areas. This was true for whites and blacks, but more so for the blacks. Two-thirds of the black rural-to-urban central city residents were in poverty areas. For the white population the results were the same, with rural-to-urban migrants being the group most likely to live in poverty areas.

In our judgment, rural development programs should play a dominant role in any national growth policy. For it is abundantly clear that unemployment and underemployment in rural and nonmetro areas has caused and, unless corrected, will continue to cause, major problems for metro areas. The facts make it clear that the income levels of farm and nonfarm families in rural and nonmetro areas must be increased if America is to continue to grow. The neglect of their problems surely will bring the major metro areas tumbling down upon the greatest country mankind has ever known.

The Grange is vitally concerned about rural America as a student of its past, deeply involved in its present, and much more importantly, apprehensive about its future. We view rural America, not through nostalgic eyes of the past, wishing for the "good old days," but through eyes of optimism of what rural America can and must be if we are to bring to a halt the rural-urban imbalance and provide for rural America the equal opportunity it justly deserves and our Nation desperately needs.

The Grange has long taught that the "welfare of each is bound up in the good of all." The cities suffer equally or even more as a result of the rural depression from which we seem unable to extricate ourselves. Families unable to make a living on the farm migrate to the city. If there is no job to be had, they are added to the welfare list, or relief rolls. If they take a job that was being held by another, they simply change places. Either way, the city is worse off and so is the country.

It is because of our firm conviction that the answers to tomorrow's urban problems can be found in a healthy, strong economic rural America, that we strongly support legislation to provide incentives for the establishment of new or expanded job-producing industrial and commercial establishments in rural areas. In fact, it is because of our neglect of the problems of rural America, that our urban centers are in such a state of poverty, confusion and overcrowded conditions.

We see this condition in our urban areas and say "they are slums—a blight on society—they must be removed." These same people are willing to travel down any road in rural America and see a rundown farm, with an old barn, a deserted country store, or a row of empty houses, and say, "this is rural America—our heritage—we must preserve it." To this we say, "preserve rural America—yes; but a 20th-century version, not the 1800's."

Up until just a few short years ago, the only economic or social planning we had done in rural areas was in the field of land reclamation, irrigation and conservation. In general, agriculture has been left in a laissez-faire economy while industry has continued to follow the pattern of programing its industrial complexes into areas where there are skilled workmen and other economic incentives.

The result of this situation has been the outflow of population from rural areas into the cities. There was a time in our history when this was necessary, but in these times of lower employment and maladjustment of employment opportunities, this migration has fed the fires of unrest in our ghettos.

Some unwise farm programs made their contribution to the outmigration from the land as well. The problems of rural America cannot be solved by pure economics.

For the past century, we have seen a gradual outflow of the re- through depressed prices of farm products. It has taken place through the educational processes in which the rural communities have invested their wealth in the education of their children only to see those children leave the rural scene and become part of the productive capacity of an urban industrial community.

We have so depleted the human and financial resources of rural America that it is becoming almost impossible to lift ourselves up by our own boostraps. We need legislation to start to replace some of the resources that have been torn from rural people and rural America.

We hasten to point out to this Committee that the very heart of a prosperous rural America is a strong, healthy, independently-managed family farm structure. The problems of rural America cannot be solved with mere appropriations to employ the unemployed in a series of public works projects. Such projects can assist in rebuilding and maintaining a healthy rural community by providing some off-farm employment and attracting industry to rural poverty areas where the need is particularly great. But they can be only backup programs to a strong agricultural community if we want a long-term solution to the poverty areas of rural America and the development of community life that will help to preserve those elements of rural living that have made America great.

Our rural population continues to decrease and our cities continue to spread and burst out at the seams like a growing boy with only one pair of pants. This imbalance of population has upset normal economics and social relations and has spread havoc throughout the land.

Rural slums and city ghettos cause equal or perhaps a greater volume of political rhetoric than the outworn "farm problem." Yet, the problem continues to grow rather than to decrease.

The rural-urban imbalance can be reversed some by improved farm prices for agricultural commodities, provided the corporate invasion of American agriculture can be stopped. This must be done if the family farm structure of our Nation's agriculture is to be preserved. USDA studies have proven that the family farm with 2.5 employees is the most efficient means of providing our Nation with food and fiber. Why then do we allow nonfarm interests to use profits from nonfarm business, much of it obtained by the advantage of the liberal income tax code provided for the bona fide farmer, to invade American agriculture, forcing the smaller producer off the land?

Rural America accounts for 30 percent of the poor. Most of the rural poor live in villages, small towns, or in the open country, rather than on farms. Only about one-fourth of the total live on farms. The 14 million rural poor include some 3 million families. When a family's income is less than $3,000, that family is usually defined as poor. Of the poor families in these areas, more than 70 percent struggle along on less than $2.000 per year. Most of the 14 million—about 11 million—are white. However, a much higher proportion of the nonwhite are poor.

It is especially difficult for rural people handicapped educationally to acquire new skills, or get new jobs, or otherwise adjust to a society increasingly urbanized. This is true on the farm as in urban industry, for modern farming requires skills that the poorly-educated lack. The less the schooling the poorer the job and the lower the income.

At best, job opportunities in rural areas are scarce, and in many places they are getting scarcer year-by-year. For rural people living within commuting distance of nonfarm jobs, it is sometimes possible to combine farming with a variety of jobs off the farm, but in isolated areas the need for such opportunities is far greater than the supply. The agricultural industry has the highest proportion of low-income persons of any major industry in the United States. Many have levels of living well below the minimum standards for our society.

According to the census we have 3,252,000 farms. Only about three out of 10 of these gross more than $10,000 per year. About 446,000 have gross sales between $5,000 and $10,000 per year. Many of these would net less than $3,000 and would at best be on the borderline of poverty. Another group of nearly 356,000 have gross sales between $2,500 and $5,000. Most of these probably are in the poverty class.

About 43 percent of the census farms have gross sales of less than $2,500. Over 800,000 are called part-time farmers. However, their income from nonfarm sources could well be substantial. Nearly 400,000 are clasified as part-retirement and abnormal. There also are some 200,000 others in the less-than-$2,500-sales group.

It is very difficult for the seven out of 10 farmers with gross sales of less than $10,000 to have an adequate income from farming alone. Fortunately about half of them have some additional income from off-farm employment or other sources. Even so, about 45 percent of the families of farmers and farm managers have total income of less than $3,000. These include one of eight families with less than $1,000 and one of seven with $1,000 to $2,000. The poverty problem of farm laborers and foremen is even more serious. Sixty percent (three out of every five) have less than $3,000.

One of the reasons for the low incomes of these farm operators is that the productive level of the natural resources in most of the areas tends to be low. Another reason is the low capital investment. In addition, most of this is represented by the value of land and buildings rather than productive working capital.

Studies of low-income farm areas find a generally low level of human resources on such farms. Many are old, a significant portion have physical handicaps, and educational levels are generally low. For example, about a fourth of those with gross sales over $2,500 are over 65 years of age and another fourth between 55 and 64. Over half of them have only an elementary education—three out of 10 did not make it to the eighth grade.

We must face the fact that most of our so-called farmers have farms that are just too small to provide an adequate volume of business to make it possible to get an income comparable to that attained by those employed in nonfarm activities. They make very little contribution to our economy. Hence, while they are poor, we cannot say that they necessarily are underpaid.

Hired farm laborers as a group have incomes from farming even below the level of the low-income farmers.

Underemployment is hidden unemployment. Many rural people have too little land or other productive resources, too little education or training, or for some other reason are not occupied full time in productive work. If you are not productively employed full time you cannot expect full income.

It is well known that many people who remain in rural areas are not remunerated at the same rate as persons of similar income-earning capacities in the country as a whole. The Economic Research Service of the USDA had estimated that in 1960 economic underemployment of employed rural persons between the ages of 20 and 64 was the equivalent of 1 year of unutilized labor for about 2 million men. This was about 13 percent of the employed rural persons in 1960.

About one-third of this rural underemployment was among farm residents and was equivalent to one-fifth of employed farm people.

Information on the extent of migration between rural and urban areas that has occurred in recent years is perhaps one of the most direct human indicators of pressures on rural resources that we have. Between 1940 and 1960 an estimated 21 to 22 million people may have left rural areas for the city.

A very high proportion of the occupation mobility out of the farm labor force is in unskilled occupations and into industries where, as in farming, unskilled labor is rapidly being replaced by machines. Legislation is needed to induce industry to locate in rural America and provide incentives to train this pool of underskilled labor so that they can continue to live in rural areas and make an economic contribution to society.

The nonfarm or urban sector suffers, too, when people ill-equipped for urban living are forced to relocate in cities, because it must provide schools, housing, and other services as well as jobs for these immigrants who are not always prepared for city living.

The National Advisory Commission on Food and Fiber, in its report to the President, outlined three ways to improve life in rural America.

1. A more comprehensive national employment policy which will take into account the rural problem of underemployment as well as the better-known problem of unemployment.

2. A social investment policy which will put more money into providing people with greater skills and into industries and communities with potential for rural economic development.

3. A personal income policy which will assure the rural poor of a decent living standard until the investments in people and areas can pay off.

"From every standpoint," the Commission concludes:

> It would seem preferable to create more off-farm employment accessible to farmworkers in the rural areas themselves. If rural communities could achieve higher rates of economic growth, they could furnish more of the nonfarm jobs needed, increase their tax bases and finance better education and other public services for their people. At the same time, they would slow down the drain on their resources, represented by out-migration, and ease the burden that urban areas carry in public services for rural emigrants.

The National Grange urges Government agencies and departments to end further expansion of government facilities in overcrowded cities and that such future development be directed into rural areas to generate jobs, create new rural economic opportunities, and slow the migration of farm people without jobs into major cities.

Services are provided for by the local chamber of Commerce or development commission in our larger cities, but rural communities do not have such expert planning at their disposal. In fact, rural areas are fair game for organized groups to prey upon in securing industrial growth for the metropolitan areas.

It is obvious that the government cannot dictate to private industry where it should locate its plants, nor can it dictate the whole policy of the allocation of resources and economic development. However, it can compensate for those factors not available in the areas where it feels there should be some additional industrial or agricultural development and assume some of the risks inherent in this kind of operation. Such planning could and should obviously take into consideration the social factors involved, as well as the possibility of the simple making of a profit by a private entrepreneur.

We believe this can be accomplished within the private and individual enterprise system. It need not be a socialization of industry or of our society, but the cooperative relationship between rural areas and the urban-oriented businesses, as well as with a Federal Government which is creative in purpose and intent, can make a maximum impact on these problems in rural areas.

We have been concerned that programs designed to alleviate some of these problems have not functioned in the rural areas as we had hoped. Congress made provisions for rural water and sewer systems on paper, through the passage of legislation, without adequately funding the programs. The necessity of upgrading our rural electric and telephone systems has always been, and still remains, a constant battle in Congress. In addition, we have seen the Office of Management and Budget withhold appropriations of the Congress for services which are badly needed in the rural areas.

Even with what has been planned and accomplished, we appear to be attacking the symptoms of the problems instead of attacking the problem at its roots. We need greatly expanded manpower-training programs for rural areas and mostly, the abandonment of the laissez-faire system for allocation of the human and financial resources on the basis of efficiency only.

There have been some examples of communities that have really wrestled with this problem and been successful to some extent in stemming the flow of the tide. These have been areas where there have been aggressive and farsighted businessmen and local leaders in both the town and the country, where they have actively recruited small business to be located in small communities, to absorb the excess manpower available in the farm areas due to the technological revolution which has taken place in agriculture. These have been fortunate communities, and they have been decidedly in the minority.

In many cases, these rural areas really have nothing to offer to industry in terms of location, the relationship to resources, or to the avenues of transportation and distribution. Even the labor reserve has already been lost to the cities.

As a result of all these factors, there has been an air of fatalism in our rural communities which has paralyzed them as far as any positive action is concerned. This has been aided and abetted by those social planners and economists who have written the rural areas off as economic liabilities and who were unwilling to concede any social advantage to rural living.

The role of business in rebuilding these areas, if it intends to make a contribution, is the dispersal of plants and plant facilities on a deliberately planned basis, so that job and economic opportunities are available for people in the rural areas. Small, local business groups, such as the local Chambers of Commerce, in villages too small for comprehensive planning may work with local Granges, Lions Clubs, or other organizations to organize efforts to improve the life of the community through improved job opportunities and economic assistance.

The enactment of new legislation will not be a panacea for the ills of rural America, but it may raise the curtain on a new day in our rural communities. However, we would like to bring to this committee's attention that we have had high hopes before, only to see those hopes dashed on the rocks by economy-minded Congressmen who would rather spend millions on antipoverty programs rather than on such programs as REA, FHA, rural area development, conservation programs, and programs of supply-management, all designed to improve the economic opportunity of residents of rural America.

Mr. Chairman, we believe that the problems of rural America are not just the problems of local communities or States, but part of the overall problem brought about by a lack of a national growth policy in America. If there is one fact that stands out above all else in our study of rural development it is that urban problems are closely related to the problems that have been allowed to develop in rural America, problems brought about by the rapid change in the structure of American agriculture.

The number of farms and the amount of land in farm use continue to decline. USDA reports that it expects about 2,876,000 farms in operation in the United States during 1971. That is down 1.5 percent from the 1970 total, 26 percent below a decade earlier and the smallest number since the 1870's. The size of farms, estimated at 389 acres for 1971, is up from 383 acres last year and 306 acres in 1961.

Both of these trends are likely to continue, but at a slower rate. I would hope that they would not only slow down, but that the trend could be reversed in the decade of the seventies. I, for one, do not believe that all problems in agriculture of rural America can be solved by simply moving human resources out, off the land and away from rural areas.

Fewer farms, or larger farms, may solve some of the economic ills of farming, but it will not solve the economic and social problems of rural areas or help alleviate the urban crisis that has been a result of such migration in the past. I believe it was Whitney Young, the late chairman of the Urban Coalition, who said "The problems of rural areas today become the urban problems of tomorrow."

There was a time when this country needed the migration of people from soil to city to sustain the industrial revolution, but I submit that with unemployment reaching increasingly higher levels, economic opportunities no longer lie in the metropolitan areas. This is especially true in the age of automated manufacturing with its low requirement for unskilled labor.

Farm programs designed to assist the family farmer must be continued and improved if economic opportunities are to remain in rural America. There is nothing wrong with "countryside USA" that a little increased profit in agriculture won't cure. With increased profits will come increased opportunities for rural people. Money now allocated in grants to States for rural development might be better spent in improving farm income.

Disposable personal income (after taxes) per capita of the farm population was $2,633 in 1970, a record high—and about $200 higher than the previous year. This amount represents income from all sources, farm and nonfarm. In fact, off-farm income represents about one-half of the total net farm income. The ratio of average disposable income of farm people to nonfarm people was about 78 percent, the highest on record, and 1 percentage point above 1969. There has been a marked improvement in this ratio during the past decade; it stood at about 55 percent in 1960 and has averaged around 75 percent for the perod 1966–70.

A viable family agriculture is essential to rural development. Rural communities will not be able to exist on new factories moving to rural areas. Rural communities will be lucky to attract one new manufacturer and most will not have any industrial development.

Senator DOLE. Mr. Scott, would you yield a moment. I must go to the Senate floor. I want to thank the four outstanding farmers for coming. We are going to have a vote pretty soon and I will be making a speech on the amendment. Senator Curtis is here and Senator Humphrey will be right back.

Mr. Scott. Communities that depend upon one type of manufacturing as the sole source of off-farm employment are not balanced economically and suffer with the ups and downs of that industry. To have real growth in rural America, agriculture must be economically strong to provide a balanced economy and prosperity for Main Street in the rural towns of the USA.

It is because of the interrelatonship of rural-urban problems that the Grange feels that they must be approached from the national level by Federal programs channeled through local and State governments. To allow each local community and each State to administer programs to meet their local needs could very well result in the shifting of these rural problems to other rural areas or to large cities, as some programs have done in the past.

Therefore, the National Grange is opposed to the special revenue sharing for rural development. In our judgment, the problems of rural and urban America are so interrelated that, as we stated before, they can best be solved by the development of a national growth policy.

In our opinion, the special revenue sharing proposal would have the opposite effect. As long as that danger exists we cannot support such proposals.

The plan calls for sharing with the States $1.1 billion ($100 million added by the President after the Budget was submitted to Congress) for rural community development. The determination of how money would be spent would be left up to the State and local governments and they would not necessarily have to be spent on present rural programs, which will be the source of the major portion of the funds. In fact, the payments may be used to meet matching share requirements of remaining Federal categorical grant programs which contribute to rural development. Only $179 million of the $1.1 billion will be new money; the remaining $921 million will come from already existing programs.

Sources of funds of special interest to this committee and the Grange are:

Resource conservation and development program $4 million, cooperative agricultural extension service $149 million, rural water and waste disposal facilities grants $42 million, rural environmental assistance program $140 million, forest service grants $21 million, great plains conservation program $11 million, water bank program, $10 million and tree planting assistance, $1 million.

The message sent with the special revenue sharing proposal stated:

> This proposal recognizes that patterns of development potential vary widely within the different states and seldom conform neatly to intra-state governmental jurisdictions. It therefore imposes no Federally dictated distribution of shared revenues within the states. Neither would it require matching or maintenance of effort spending by a state in return for the shared rural development funds. Indeed the shared funds could if necessary be used to match other Federal grants-in-aid for rural assistance. But there would be a firm requirement that all rural community development funds be spent for the direct benefit of rural people. The funds could be spent for any of the purposes now authorized under the existing aid programs, including the option of direct grant assistance to private firms which locate in rural communities.

To us this means that funds supplied by the special revenue sharing for rural community development could be used to build roads, transit systems to move the rural population to urban centers for work, factory sites, and any number of proposals that would qualify under their definition of rural development—with a direct loss of present programs designed to assist American agriculture, the cornerstone of any rural development program.

The fact that the funds made available to a State under the special revenue sharing for rural community development will be under the control of the Governor of the State ("in consultation with multijurisdictional planning districts throughout the State, composed of elected officials, and an advisory panel consisting of an elected official from each planning district") is only one way in which commercial family farm agriculture and its needs will be adversely affected by the rural community development proposals under the special revenue sharing program. The real danger lies with the suggestion that "alternative consultation processes can be suggested by the State."

The National Grange does not intend to stand idly by and see good programs destroyed because farmers do not have the political clout to control the expenditures of the funds for rural development within their States or local governments.

In addition, many rural programs now funded by special grants-in-aid will be denied thousands of rural residents and farmers because of the definitions contained in the message.

Rural areas are defined as counties which have a population density of less than 100 persons per square mile or are not included within a standard metropolitan statistical area.

As first proposed, the plan would have eliminated the Agricultural Extension Service in many counties in every State, due to the definition of rural. However, before the revenue sharing bill was introduced in Congress on April 16, it was changed to read:

"Notwithstanding any other provisions of this act, each State shall use a sufficient portion of the moneys to which it is entitled to maintain and carry out a program of agricultural extension work through its land-grant college, or colleges, comparable in size and type to the agricultural extension program carried out in the State in fiscal year 1971 under the Smith-Lever Act, and the Cooperative Extension Service shall be permitted to continue 4-H, nutritional aid programs, and other agricultural programs in metropolitan areas."

In our judgment, this change does not fully answer our concern over including the Extension Service in the special revenue sharing proposal.

For example, in my own home State of Pennsylvania, if this plan is adopted as proposed it would freeze the Agricultural Extension Service at the 1971 level in 35 counties leaving no room for expansion or growth of programs carried out by the Extension Service.

This would mean that the counties or State, if they wished to, or had to, expand the programs, would have to appropriate additional funds to cover the cost of the enlarged programs in the 35 counties. This may also be true in all counties in a State, as the language pertaining to the Agricultural Extension Service is not clear regarding the effect of the definition of rural on such programs.

The affected counties or States could use other Federal funds under the revenue sharing proposal to expand the Extension Service, but this would be just robbing Peter to pay Paul. The result could be detrimental to all programs designed to aid rural development.

In addition, the amount of payment which each State is entitled to receive will be determined by a formula based upon the rural population, rural per capita income and change in rural population of the State. In implementing such a formula, States that have done a good job of rural development will have the funds that made their development programs possible and successful decreased. Such a situation could cause an abrupt change in the conditions of the State's rural economy to the extent that the State would need more funds the following year.

Two types of expenditures could be expected to "soak up" much of the shared revenue before it reaches farmers and ranchers in the form of REAP payments and other agricultural assistance programs:

First, State officials—hard pressed to stretch their tax revenue to cover all of the spending demands that are made upon them—would be tempted to use the share funds to fulfill matching requirements of other programs rather than to continue the existing agencies and programs.

Among the other Federal-State categorical grant-in-aid programs that could be construed as "rural" and therefore would qualify for the States' matching share to be made up of revenue acquired by the States under this bill are: secondary ("farm-to-market") road construction, hospital construction in rural areas, and meat and poultry inspection. To the extent that the States would use the funds provided by the rural community development revenue sharing bill in this way, the States' overall financial expeditures on rural programs would be reduced—thus sabotaging the apparent intention of the rural community development revenue sharing bill to enlarge rural development funding.

Second, a large part of the $675 million would probably find its way into spending by States to induce industry to locate in rural areas. It is not too difficult to imagine the lobbying that industries will direct to legislatures, Governors, and other State officials to rake off a share of the funds. As inducement to locate in rural areas, industries may want State construction of access roads to the plant, and State construction of water and sewer facilities at the plant. They may want purchase by the State of land for plant location. With the "free" money floating around as a result of revenue-sharing industries no doubt will demand costly inducements of this type to get them to locate in rural areas.

There are other ways to encourage rural industrial development, such as reinstating the 7 percent investment tax credit for investments made in rural areas, the establishment of a "rural development bank" to provide loans and other financial assistance for nonfarm rural development, including expanded programs for water and sewer systems, medical care services, et cetera.

These are all parts of our overall rural development and should be adequately supported but not at the expense of present programs that are assisting family agriculture.

The Grange is strongly opposed to the President's reorganization proposal to spread the responsibilities of the Department of Agriculture over four new departments.

The Department of Economic Affairs would receive most of the USDA's programs and agencies. With the exception of the CCC and Federal Crop Insurance Corporation, a new Farms and Agriculture Administration, to be established in the Economic Affairs Department, would be the only farm agency that would have to be established in any of the proposed departments. Except for these USDA agencies could be renamed or dismantled and their functions administered as the Secretary of the new department would determine.

In addition, the Administrator of the Farms and Agriculture Administration would report to one or more of five Assistant Secretaries or directly to the Deputy Secretary or Secretary. That could be five times removed from the President. In any case, if he reports directly to the Secretary of the Department of Economic Affairs, he will be in competition for the attention of the Secretary with the Administrators for Business Development, Social, Economic and Technical Information, Labor Relations and Standards, National Transportation and International Economics.

The point is—with agriculture reporting to the same Secretary as Labor and Commerce—will the voice of agriculture (representing only 5 percent of the populace) be heard over the voices of labor and commerce? This question takes on greater importance if it is a matter of priorities for governmental expenditures—such as farm programs and rural assistance programs.

Political power and influence in government are built around constituents. With the responsibilities of the Department of Agriculture split among all four new proposed departments, the constituent strength, hence the power and influence of American farmers, will be equally split.

It is because of this dilution of influence and power of the agricultural sector that the National Grange opposes the dismantling of the USDA. If agriculture's and rural America's needs are to be met and if we are to maintain an econmically strong family farm structure in American agriculture—we need a forceful spokesman to speak to the President for the farmer—this is the only way we can offset the influence of much larger constituencies.

In conclusion, Mr. Chairman, as the problems of rural communities become more pressing, rural development will be increasingly in the news, for it offers the promise of infusing new economic life into these areas.

However, rural development does not take place on its own, nor does having adequate funds available insure its success. If it is to succeed, farmers, nonfarm rural residents, and other community leaders must take the initiative in encouraging the community to study its problems and persevere in seeing that the conclusions based on these findings are carried through to a logical end.

To my knowledge, every successful attempt at rural development has been because people became involved in problem-solving, in short they got up off their apathy and went to work to make their community programs work. Communities in Pennsylvania, Iowa, North Carolina, Nebraska, North Dakota, to mention only a few, have successful rural development programs—all because people cared about what was happening to their towns.

We see this pattern in our own organization. Communities can have Granges that are richly endowed and own their own Grange halls, but are dying on the vine because of a lack of interest in what is taking place around them and the lack of local leadership that has the ability to arouse people to become involved.

Despite Government activity, success really depends, as we have seen, on what is done within each community. The national planning of overall programs and funds for development can be supplied from Washington, but the programs must be executed through State and local committees, with the initiative and decisionmaking in local hands. But as we have seen in the past, programs without following a national plan for a balanced growth policy, can lead to the shifting of the problems.

Leadership, initiative, ingenuity, judgment, and application are potent forces in community growth and development. Rural development cannot be spoon fed—Governments, Federal, State and local, can supply the overall plan, but implementation must come from within the community. In fact, programs devised by men, that supply only moneys and plans, will breed apathy, lack of interest and "I don't care" attitudes on the part of the recipients. This perhaps is the greatest danger in any plan to share revenues collected at one level of government with those responsible for expenditures at another level of government.

Since action within the community is vital for successful rural development, it is obvious that leadership and active participation must also come from within the community. Enlightened self-interest is at the base of community development, be it rural or urban.

In rural development, results flow from a combination of effective application of effort and available resources. Communities will not achieve their potential merely because resources are there. Little can be expected where there are no resouces; but well-conceived concerted effort, intelligently applied, can produce worthwhile results even when resources are limited.

Thank you, Mr. Chairman, for permitting the National Grange to share our views on rural development with this subcommittee. The task ahead is great and we commend you and the Committee on Agriculture and Forestry for your continued interest in the problems facing rural communities. We wish you well in this undertaking and pledge our support of programs that address themselves to the total problem of rural-urban imbalance and the maintenance of agriculture as the cornerstone of a thriving rural community.

Senator HUMPHREY. Thank you very much.

Senator Curtis, we thought we would wait until the end of the testimony.

I wonder if the witnesses would excuse me for about 5 minutes. I have an urgent telephone call I want to make and I want to hear all the testimony. I had to go out and was interrupted here.

It is agreeable, Oren, and if you would just kind of relax. It will not be over 5 minutes and I will be right back.

(At this point in the hearing a short recess was taken.)

Senator HUMPHREY. Let me just be sure. Do we have the Farm Bureau Federation with us?

Yes, fine. Thank you very much.

What we have now is our final witness on this particular panel, the president of the National Farmers Organization, my friend, Oren Lee Staley, and I want to compliment him not only on his leadership but his infinite patience and good humor.

You were very kind to wait so long and share your time with us. To all of you I say the same.

Mr. Staley, would you proceed with your commentary and tell us what you have in mind.

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Mr. STALEY. Senator Humphrey, as chairman of the subcommittee and the other honorable members of the subcommittee, I am not going to read very much of my text. I am going to make a few observations. However, I am going to read about three paragraphs, and I would like for the total text to be submitted and printed, of course.

Senator HUMPHREY. It will be printed as if delivered. I say that because when you read the record, that fine print, unless you have got glasses like you have you cannot read it. We have got to have it so everybody can read it.

Mr. STALEY. Mr. Chairman, I am Oren Lee Staley, president of the NFO and with me is Harry L. Graham, legislative representative of the NFO. The National Farmers Organization is an organization of farmers with membership in all 48 States of the continental United States. Its ultimate goal is the renewal and improvement of the quality of rural life. Our program of action is collective bargaining to improve farm prices and farm income and to bring to American farmers a fair return for their economic inputs which will be equivalent to those received in other segments of the economy.

THE NATIONAL GROWTH POLICY

The sticky situation facing this Nation today with its rural poverty and population decline on the one hand, and its overcrowded cities with bankruptcy staring them in the face and civil strife and seething discontent on the other hand, is the direct result of low farm income.

We have forgotten to realize that low farm income not only drives people from the farm, but it also drives rural business people and their families from the rural areas because the two are tied together as far as their economic welfare is concerned. They all become misplaced people.

What was once just considered as a farm problem becomes a problem of the total society. The result is a social, political, and economic disaster which is gnawing at our Nation. A program for balanced national growth, with the proper and proportional allocation of resources to invigorate and renew those areas suffering from political neglect is not only needed, it is required if this Nation is to survive. It will be costly, it will require maximum contributions by all our citizens of their talent and resources, but the alternatives of concentration of power to repress the restless are too dreadful to seriously consider.

With less than 35 percent of our population in rural areas, we have more than one-half of the poverty of the Nation and almost two-thirds of the substandard housing. Many elementary and secondary schools and second rate at best. Adequate health and dental service is nonexistent. Rural churches have long ceased to be viable institutions.

If this Nation is in earnest in its stated commitment to eliminate poverty, then it must eliminate the causes of poverty. This means adequate educational opportunities for all rural children, adequate health care, adequate health and sanitation facilities, and above all, adequate income. We see neither the commitment or will or resources necessary to correct these problems in proposals yet made.

Too many people are talking about rural development in terms of creating industrial centers, making sewer and water loans to small towns without any future unless agricultural income is rebuilt, and letting the farm sector of the economy go ahead and decay.

In NFO, we are talking about stemming the invasion of integrators and corporations into agriculture, reviving family farming with decent price levels attained through collective bargaining, and rebuilding our rural communities on a sound agricultural foundation with prosperous, individual, private, free enterprise instead of letting managerial empires take over the farming business and divert all of the equipment, fertilizer, and supply business to factory distributors.

It may very well be that the United States needs to undertake both rural development—the rejuvenation of our tragically underrewarded food and fiiber production business and the dispersal of industry, government offices, and other economic activities, because of the problems of overconcentration in large urban centers. But we should not confuse the two.

The National Farmers Organization will heartily support dispersal of industrial and business activity. It is needed. And it would create nonfarm opportunities for many sons and daughters close to home who cannot and do not want to farm and now have to squeeze into an overcrowded metropolis.

If the United States Government is serious about dispersals, it can quickly take giant strides toward that end simply by conditioning its own $85 to $90 billion annual procurement on the location of the factories, or the research and development laboratories and workshops, and by sending a lot of its own agencies to offices outside Washington, D.C. Congressmen Roncalio, Melcher, and others are working toward that end. The Government itself is one of the biggest centralizers and should take the lead in dispersal.

Senators Pearson, McGovern, and McClelland all have bills to give tax concessions to industries and businesses which locate away from overcongested areas which would speed that undertaking. Congressman Sebelius has such a bill in the House.

Development of the rural America that exists today, the agriculture-oriented areas, depends on improving the economic position of the farmers, and I am concerned that hearings under the heading of rural development, filled with testimony of people who assume that farmers are all going broke and that corporate and integrated farming—managerial empires—are inevitably going to take over will be regarded as an answer to the farm problem when it is not an answer to the farm problem or the rural problem at all.

The best prescription for rural development is more farm income, and the adjustment of agricultural price levels to a parity with prices in other segments of our economy.

Because farmers have not been organized to bargain for their prices as labor has done, or to administer their prices as big business has done, there is a liquidation occurring in agriculture which will continue until farmers get their fair share of our affluence.

The NFO is fighting to get family farmers organized to win the price battle, and to save farming as it exists today—and along with it the existing small businesses and communities in rural America. If we do not succeed farming units will continue to be liquidated until the remaining producers—a few big corporations and integrators—are able to unite and operate like the steel industry and the banks who administer their prices.

Although NFO was sadly disappointed with the Agricultural Act of 1970 and the low minimum price levels written into it, we know that the hearts and the minds of the members of this committee are with the farmers and in favor of strengthening them economically.

I hope this subcommittee will address itself to their problems, and to getting some spending money into their pocketbooks. They will spend it in the towns and make it possible for the butcher, the baker, the doctor, and the hardwareman to pay their taxes, build schools, and pay off the sewer and water loans.

Rural development in terms of building up what is there, means, besides higher price support levels, strengthening our farm credit agencies to make required capital available at reasonable costs. It means action to see that the managed industrial prices we have to pay for equipment and supplies is kept in reason.

And it means assuring us adequate transportation at reasonable costs and ending the dismemberment of our transportation services in spite of constantly rising rates.

A generation ago the train brought freight, passengers, express, parcel post, and the mail to most rural communities. Now we have railroad carrying part of the freight, passenger buses, REA Express trucks, separate mail trucks, and separate vehicles for everything paralleling and crisscrossing each other without giving us reasonably priced transportation or reasonable service on anything. We are now threatened with discontinuance of rural post offices and rural delivery in many places.

This committee could do a great service studying coordination of rural transportation services to improve its quality and reduce its costs. In some areas of the United States—the mountain wheat country, for instance—skyrocketing transportation and low farm prices are making profitable farming impossible.

You are going to find that there are sizable rural areas in the United States where transportation makes either dispersal of industry or a prosperous agriculture unfeasible unless the problem is solved.

There are two subjects that I want to touch lightly. One is revenue sharing and the other is government reorganization.

Revenue sharing is just a new name with no meaning. The difference between this proposal and previous programs is that this program proposes to make money from appropriations available to State governments for them to spend as they wish. This sounds good and the philosophy behind it is hard to argue with. The difficulty, however, in getting meaningful results centers around the fact that so many of the problems are now so involved that they have become total national problems.

In the first place, only $179 million will be added. This is a pittance. In the second place, the concept of rural communities including cities of up to 50,000 population would further dilute funds which are at present wholly inadequate. The big question that maybe no one knows the answer to is whether State, county, and township governments are more responsive to local needs or more capable administrators of financial receipts. In fact, a good case could be made for the opposite argument.

While it may be true that the Federal Government is so big that it is unwieldy, other governments in it are so small that they are completely inefficient. A shot of Federal funds in their arms will not make them viable. The sickness is now chronic, the patient much too ill, and other care is unavailable. It would be exercise in futility. It should be noted that $150 million, already reduced by 50 percent of previous budget outlays, used for ACP programs would no longer go to farmers to preserve the natural resources.

The Federal Government has followed a sound course in its programs of assistance in groups of governmental units. The Congress has established the needs, authorized the programs, and established guidelines for their administration, appropriated the funds and left it to the executive branch to allocate and administer the funds according to the directives in the legislation. These funds have been subject to audit and control by the Federal Government. This is responsible government.

Now there is no question that various political entities and their citizens are in dire need of funds, and that in many instances there is no other source for these funds except the Federal Treasury.

The NFO has consistently supported the use of Federal funds to supplement otherwise inadequate farm income. We will support legislation to relieve the burdens of the cities also.

However, we believe that there are areas of responsibility which extend beyond State and city lines which are properly the responsibility of the Federal Government. Problems of education, health, and welfare are examples. These problems are not fixed as to location, they are as mobile as the population. The educational inadequacies of a rural State become the burden of the cities when a person untrained and unemployed goes to the city.

All of these items and others are among the greatest costs of State and local government. The assumption of all or most of these costs by the Federal Government would be really massive aid to the cities and State, and release funds presently being used for these purposes to other critical areas of these political jurisdictions.

In this kind of an arrangement, the government unit responsible for the raising of the taxes is also responsible for their administration. This is responsible government. To permit one political jurisdiction to have access to funds for which they have no responsibility for raising is as irresponsible as it is for one government unit to supply money to another without the supplier having some strings on its use.

The NFO is totally opposed to doing away with the Department of Agriculture. This is nonsense. The agricultural industry is still the No. 1 user of rubber, steel, and oil. It is the industry that feeds and clothes the people of this Nation. To submerge this vital industry into a second place rating is not only a blow to the pride of the Nation's No. 1 industry, but would serve as a blow to the future planning and production of our most essential items for our everyday life.

I am confident that this committee with its knowledge of the basic importance of agricultural income to rural America, will assign the highest priority to that all important facet of the rural development problem.

I want to point out that of all the things that are happening in rural America that—and I am going to digress from the prepared statement just to make a couple or three observations that I would like for the consideration of the committee.

We are discussing the development of rural America. I am pleased that the members of this subcommittee with you, Senator, are people that have their roots in rural America. I do hope that you stop and think of what historically has happened to this country in the last 25 years. Many of the same people that were there saying that they had to eliminate farmers, forgot that when we eliminated farmers and we moved them from the rural areas we moved the small business people with them. Now those same people that made those recommendations are now recommending that we retrace those steps and bring the people back from the cities to the rural communities.

I think we ought to consider this fact, because I would make a prediction here today that within our lifetime, unless we carefully realize and adjust to the fact that rural development still means farm income at this particular juncture in our history, and if we do not abide by this type of reasoning that in our lifetime we will see bulldozers plowing out the cement to get productive land back into production to feed and clothe this Nation.

The reason I am trying to point this out for a thorough understanding is that you cannot bankrupt the farmers of this Nation without bankrupting the rural business people also. When you bankrupt those, you bankrupt many of the big companies in this country which in the end is going to mean that it is impossible to solve the economic and social problems of this Nation, without realizing that the raw material and resources of this country still come from the farm. This is where the economic growth has to start.

But I would predict that unless we realize that the revitalization of rural America is tied to farm income will mean that the youth will be able to stay in agriculture to the extent that we maintain the managerial ability in our agricultural plant. To the extent that we are able to then provide the credit capabilities based on a sound financial position, we will be able to maintain the management people that are necessary in agriculture. We have economists on our staff and I think I understand the economists' minds when they start planning, and that they go along something like this: that they view the fact that you had to have more efficiency in American agriculture so you reduce the number of people and you get more production. They are continuing to look at those types of figures and project that the more people that leave agriculture the more production.

But the economists will never put new factors into their equations until after the crisis arises that we have lost the management know-how and the private incentive in American agriculture.

I would just like to point out that I think that if we compare the average age of farmers and if the electronics industry employees were average age of the farmers, we would be greatly concerned about the future of all our electronic equipment. But we are looking upon agriculture as an agriculture of the thirties when the horse and buggy and then the two-row equipment on the tractor made it possible for almost anyone to operate.

But now with all the highly mechanized and techniques in American agriculture it is as technical as any industry in this country. When you lose the youth you are losing the management capabilities. Unless this trend is reversed the Committee on Agriculture within the next 10 years will be striving to seek ways to replenish the management that is not there in American agriculture to feed and clothe this Nation. Agriculture will become the prime issue in this country and then there will be the same crisis as throughout many areas of the world where they are striving to try to find a type of agriculture that can adequately feed and clothe the people. We will have missed that opportunity by destroying the very fiber, the very basic framework of the greatest agricultural-producing industry in the world and in this country.

For that reason I would like for the attention to be focused, also, in the rural development area on the fact that we have to recognize that farm income will revitalize rural America more than anything else. I am not opposed, we in the NFO are not opposed to bringing to the urban areas some of the resources to help alleviate the problems of the city.

But we have seen the reduction in so many things like the ACP programs that a few years ago we were talking about how they were going to conserve the soil, and now we are talking about ecology, while ACP programs at the same time were doing more probably to help ecology and all the streams and everything we are talking about of this country than any other programs, still we are discontinuing those and going to transfer their assets over to something else.

So all I am saying is that the members of this committee that have their roots in rural America, review what we are talking about and why it is necessary to talk about the revitalizing the rural areas and pinpointing their problems. I ask for your consideration of the real problem and why it exists today and why we are retracking and retracing those steps that were taken such a few years ago so that we do not make the mistake of overlooking the fundamental industry in America.

This gets down to one additional point and one final point. And that is the nonsense of talking about destroying and dismantling the Department of Agriculture. Agriculture is still the prime industry in this country, uses more rubber, steel, oil than any other industry. But the more important factor, to put the industry that feeds and clothes the people of this country into second place category is plain nonsense. It will be a very vital consideration in the years ahead for the welfare of this Nation.

Those are the comments that I would like to add in addition to the prepared text.

Thank you, Mr. Chairman.

Senator **Humphrey**. Well, I do want to thank you very much, Mr. Staley.

Let me just see here if I understand it correctly. All four witnesses, as I understand, oppose the reorganization plan that relates to the Department of Agriculture as presented, is that correct, is that right, Mr. Scott?

Mr. **Scott**. Yes.

Senator **Humphrey**. Mr. Heinkel?

Mr. **Heinkel**. Yes.

Senator **Humphrey**. Mr. Dechant?

Mr. **Dechant**. Yes.

Senator **Humphrey**. Mr. Staley?

Mr. **Staley**. Yes.

Senator **Humphrey**. All four. And your organizations have taken this up for due consideration in conference or convention?

Mr. **Scott**. Yes, Mr. Chairman.

Senator **Humphrey**. So that this record will reveal that kind of official action.

Let me thank you, Mr. Staley, for your commentary about the management aspect. I think this is something we forget, and it is a very valuable contribution.

Those of us who are talking about rural development, as Senator Curtis noted earlier, are not unmindful of the priority of farm income. I just want this record replete with that premise. We do not start here on the basis you keep the people poor so that they can go to town and get jobs. We would like to start with the premise that agricultural income must be greatly improved.

There are other committees—I should say subcommittees of the full committee that is directing its attention towards commodities and et cetera. We try not to overlap on jurisdiction. But we understand fully, and I think I speak for every member of this committee, because I have heard them express themselves individually, that we work from the premise that agricultural income for the farmers and farm producers is vital, is primary. This is the building block number one for rural development, to put it that way.

Let me just take my background as a young man back in South Dakota. I looked upon Huron, S.Dak., as a trade center for the farmers in Beatle County, for example, in the areas of Kingsbury County, Beatle County, and Spink County. Therefore, the improvement of that community in its hospitals, its small industries, its main street, its parks, its playgrounds, its churches, whatever it was, the improvement of that community was the living of that particular, what we call middle-sized town, I consider to be a part of the total agricultural environment or rural environment, because the people that came into that town were essentially rural people and I think it is fair I can say, having lived there as a young man whose father was a merchant, that our business depended entirely, with few exceptions, upon how the folks were doing in the country.

If these 400 acres or 600 acres or a section of land that was producing pretty well, or if they had hogs and cattle or chickens or whatever they had, that they were getting a good price for, we did well, and if they did not, we did not do well.

But I just wanted the picture clear, that as I see it, speaking only for myself—and I will have others speak for themselves—as I look upon rural development we are talking primarily first of farm income, agricultural income. Then we talk of the facilities and nonfarm enterprises that make possible higher incomes, better jobs, better living as well as a higher standard of living for all rural residents, including farmers.

One of the things that has disturbed me, and I appreciate your commentary, is the transportation facilities. I was home last weekend. My home is in Wright County, Minn., a little town called Waverley. While I was there I had two people come to see me, one a businessman from a little town called Winstead and another a dairyman.

We have consolidated a number of the smaller dairies and now we have got bigger trucks, for example. Of course, the dairy equipment is very expensive, this stainless steel and all that goes with it. We have county roads that will take up to 6 tons and some of them less.

This dairyman that came to me—I forget now, I think his dairy is in either Howard Lake or Winstead, one or the other—anyway, for them to get their milk into town they had to make a 60-mile extra trip to be able to drive this heavy truck on the highways that would take a truck that was hauling 7 or 8 tons. We have county roads that if you could go on the county roads you could just save 60 miles, but you had to get on a State highway that was a 7-ton highway and then ultimately on a Federal-State highway that would take up to 8 or 9 tons. Well, now, just that transportation problem alone added a terrific cost and these farmers protesting out there wanted me to change the regulations for them overnight. And I have talked to some people about it. We hope to get the situation corrected.

The other thing was that there is a business in the little town of Winstead that makes dairy equipment, the tanks and the refrigerating equipment and so forth, as well as one of the Nation's largest producers of streetlights, and they hire over 200 people in their plants. They have no railroad service. Mr. Railroad just quit. In fact, some decided that they were not going to town any more. In fact, some of the businessmen along that route have decided they want to run that section of the railroad themselves. Of course they cannot get enough money. This abandonment affects a whole series of towns. Then when you have 6-ton county highways you cannot get a truck on it because if you have to transship, move from a small truck to a larger one at a holding station like a depot and reload it takes time and money and increases your transportation costs.

Unless we can do something about that problem very soon we are going to lose a business that employs a couple of hundred people, a large dairy cooperative that has gone to great expense to modernize, to improve its facilities is jeopardized and nearly a thousand people—men, women and children—are in a serious predicament.

Nobody seems to consider when they decided to take the railroad off. Of course the railroads—we used to have railroads that went into towns, not through them. I do not know, I guess we will have to start doing like the Chinese coolie, carrying the stuff on our backs or the North Vietnamese, push it on bicycles.

I suppose you men have protested to high heaven about some of these rules and regulations, but I do not see any chance for rural development, unless we have transportation. This takes credit, as you mentioned, and surely transportation.

I ran right into the practical problem, not the theory of the official statements or even the practicality of the testimony. I asked a staff man to go out and look at it and go out and talk to our highway commissioner, talk to our legislators. This shows the lack of coordination you see here. Here is a county board that is essentially rural, but is has not come up to at least an understanding that a 6-ton highway is for go-carts and bicycles and wheelbarrows.

When you really get going in big operations with some of these big grain trucks like some of you have in your farm operation, you have seen those big grain trucks in northern Minnesota and South Dakota and they take big roads. If you have to transship and unload and reload the cost is incredible. I just toss this in as my part of the testimony, what I have seen happen in an area which is what I consider a rather productive agricultural area.

Our county, Wright County, is one of the largest dairy-producing counties in the United States. So when I start talking to you about dairying and dairying trucks I am talking to you about life and death. This is the breath of life out there.

Mr. Dechant?

Mr. DECHANT. Just one additional observation. We now find that there are countless communities that not only do not have train service, but they have also taken off the bus service.

Senator HUMPHREY. Yes.

Mr. DECHANT. So we have citizens out there that are completely isolated. They have no way to get to the county seat or to the capital. There is no more transportation. The buslines are out as well as the trains.

Senator HUMPHREY. Well, I hope that somewhere out of these deliberations and others that we can bring some sense to this, this Amtrack operation, new railroad system we have got. You know, you have got to be mighty big to get a train going by you, much less stopping. We have a train that goes through my little town of Waverley at about 60 miles an hour. It is rather hard to get a cream can on there unless you are rather a good shot.

Senator Curtis?

Senator CURTIS. Mr. Chairman, I appreciate it very much that these four distinguished agricultural leaders are here to testify. I am not unmindful of that pending vote over there, and I think we should finish our agenda. I have no questions, but I certainly appreciate what they have offered.

Senator HUMPHREY. We do thank you, and thank you for your patience and kindness in coming today.

Mr. DECHANT. Thank you.

Senator HUMPHREY. Our final witness, I believe, is Mrs. Haven Smith, accompanied by Mr. Clifford McIntire of the American Farm Bureau Federation.

Yes?

Senator CURTIS. Mr. Chairman, I would like to have the privilege of presenting Mrs. Smith to this committe. She lives on a farm. She and her husband are wheat farmers. She is a very talented, capable, and respected leader who has traveled throughout the country and many other countries making speeches and is a very good spokesman for rural America.

I am glad she is here, and it is my privilege to serve in Congress with Mr. McIntire.

I am happy to welcome both of them.

Senator HUMPHREY. I am very pleased to have Mrs. Smith here and Mr. McIntire. I see that Mrs. Smith is from Nebraska.

STATEMENT OF MRS. HAVEN SMITH, CHAIRMAN, WOMEN'S COMMITTEE, AMERICAN FARM BUREAU FEDERATION, CHAPPELL, NEBR., AND CLIFFORD G. McINTIRE, DIRECTOR, NATIONAL RESOURCES DEPARTMENT AND ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mrs. SMITH. That is correct.

Senator HUMPHREY. I can understand why the Senator from Nebraska has given a high opinion of you, not only because of the fortuitous circumstance of your residence, but because of the good qualities of yours.

Mrs. SMITH. Thank you, Senator Curtis, for those very kind remarks.

Mr. Chairman, it is a privilege for me to be here to present to this distinguished Rural Development Subcommittee of the Senate Committee on Agriculture and Forestry the views of the American Farm Bureau Federation.

I am chairman of the American Farm Bureau Women's Committee, a member of the AFBF Board of Directors, and today am privileged to speak in behalf of the 1,943,181 member families comprising the 2,818 county farm bureaus in 49 States and Puerto Rico.

I emphasize the reference to families. In farm bureau we consider the farm and ranch family as a vital basic unit in present and future progress on the farm, the ranch—and in all of rural America.

Accompanying me is Mr. Clifford G. McIntire. Mr. McIntire is director of our natural resources department and assistant legislative director. He is located in our Washington office. Mr. McIntire's home State is Maine. He has had rich experience as a farmer, agricultural credit official, and Member of the Congress.

The progress of our country has been closely related to the capability of rural people and the quality of rural resources. The opportunity to use land and water resources with skilled hands, strong progressive minds, and leadership have contributed significantly to the professional, business, and political leadership of our Nation.

In speaking of rural development—and our concerns as to national policy in this vital area—we should note that the issues are not new;

but they take on new importance as we seriously consider the changes that are rapidly taking place on so many facets of our economic, social, and political life; a trillion dollar national economy, and a $300 Federal establishment.

Rural development in America is one of the great successes of our Nation's history. National policy through legislation by Congress brought to rural America the land grant colleges, technology and education through experiment stations and the cooperative extension service, agricultural credit, soil and water conservation, youth programs, forestry, wildlife management, and recreational development.

Educational opportunities and medical services have improved greatly since our early days. Transportation, together with rural electric and telephone services, have made rural living far less of a physical burden than that experienced by our forefathers.

I would point out that many tools already are available to promote growth in rural America, but our national goals must always be the subject of examination in order that the needs of the present and future generations may be met and the national interest best served.

The elected voting delegates of the member State farm bureaus to the 52d Annual Meeting of the American Farm Bureau Federation in December 1970 developed a statement policy on rural development as follows:

RURAL DEVELOPMENT

For over half a century Farm Bureau members have been fully committed to meeting the challenge of sound progress, development, and change in rural America. Our interest is deep as this is where we individually live, work, and invest in the present and in future opportunity for every farm and ranch family.

The Task Force on Rural Development in its report entitled "A New Life for the Country," offers challenging ideas, recommendations, and constructive observations. We agree that rural development must be generated through local initiative. It must be a result of community-wide study and planning and the development of specific programs to meet community needs for sound economic growth and expansion of opportunities for both rural and urban areas.

Farm Bureau member families and County and State Farm Bureau leaders have an unusual opportunity and obligation to assist and participate in constructive rural development.

The growth and development of industry and commerce in rural areas provide local markets for farmers, increase job opportunities for members of farm families and other rural people, improve the capacity of rural areas to provide essential community facilities, and reduce the out-migration of people from rural areas.

The development which has occurred in many rural areas is a result of community efforts, improved educational opportunities, adequate water resources, a willing labor force, recreational opportunities, and other community services. Loans, grants, or tax credits are often helpful to economic development in rural areas.

The Resource Conservation and Development program administered by the Soil Conservation Service contributes constructively to these objectives and should be carefully coordinated with community efforts in rural development.

RURAL DEVELOPMENT CREDIT

Sufficient supplies of usable water and adequate waste disposal systems are basic to economic progress in rural areas. We support the sound extension of public and private credit for financing private, community, or district facilities.

We support adequate funding for programs established under provisions of the Rural Water Facilities Act of 1965.

Funding of other credit needs in rural development should be provided prifamily from private sources supplemented by public funds under authorities administered by the Farmers Home Administration.

This concludes the quotation from our rural development resolution.

Mr. Chairman, it was my honor and privilege to serve as chairman of the President's Task Force on Rural Development. Mr. McIntire was a member of the task force as were 10 other distinguished citizens. The report of this group was presented to the President in March 1970. It has the very challenging title, "A New Life for the Country."

In my opinion the views of the task force can provide a very vital contribution to the study of this subcommittee. Each of the 50 pages offers carefully considered ideas, expressions of view, and recommendations.

Pages 6, 7, and 8 of this report are attached as appendix A.

The subcommittee will have before it the legal framework currently available, details of existing programs, economic data, and reports of many successes that have taken place through the interest of local leadership in many communities. Farm bureau men and women have been a part of these efforts.

It is proper and important that Congress examine the adequacy of present legislation, levels of appropriation, and the possibility of administrative improvement to fit rapidly changing times.

We believe the wise use of land and water resources is basic to development. In these days these resources are of great interest to all citizens, both rural and urban. We believe it important that resources be developed for the needs of people—places to live, recreation, forestry, food, and fiber, the location of industry, and many other services.

We believe the small watershed program as amended to include municipal water, recreation, et cetera, is a vital part of rural development.

Adequate farm credit is absolutely essential. We have testified in this regard in connection with proposed farm credit legislation.

In still another area of policy, we suggest that many acres marginal to the technology of intensive agricultural operations should be returned to a forest cover. Lands now forested need improvement if our future needs for lumber and wood products are to be fulfilled adequately.

It is our view that the resources of the public lands are important to the total economy—and that national policy relating to wise use of Federal lands is essential to sound rural development.

While the Federal and State governments can do much to create a climate in which rural development can flourish, rural people themselves must continue to provide the principal leadership in this area. Their efforts will meet with a greater degree of success if government refrains from actions which would place roadblocks in the way of constructive rural development.

As an example, I would cite the proposed increases in industrial and agricultural minimum wages. Minimum wages have a greater impact in rural areas than urban areas because the price-wage structure in rural areas reflects differences in living costs between rural and urban areas. A substantial increase in minimum wages will tend to defeat the objective of encouraging rural development by reducing opportunities for employment.

Mr. Chairman, these views on rural development are presented with the hope that they will make a worthwhile contribution to the important study being made by this subcommittee, and I want to add that I have a deep personal interest in rural development.

Recently I have been to your State, Senator Humphrey, to speak at Marshal, Minn., at your Southwest State College where representatives from 19 counties had a rural development day designed to stem the outmigration of that area of Minnesota. Senator Curtis knows that I recently spoke at the Nebraska State Rural Development Conference.

I have been out to Spokane to speak on the program of the Northwest Farm Forum specifically on rural development. Their entire day's program was devoted to this subject. I spoke on rural development before the National Water Resources Association convention. I spoke on this same subject before the National Conference of the Federal Farm Credit Directors and appeared before the Federal Farm Credit Board here in Washington.

I went to Wisconsin to speak on the program of Farm Progress Days, which is the second largest outdoor farm show in the Nation. My subject was rural development. I have talked in recent seminars on executive development conducted by the USDA for their middle management staff people, and I want to assure you that my interest is real and sincere and I am doing what I can along the way to help.

Senator HUMPHREY. I do thank you very much. Your interest is not only real and sincere, your knowledge is very broad. We are very fortunate to have you here. You were the chairman of the task force?

Mrs. SMITH. Yes; I was.

Senator HUMPHREY. Mr. McIntire, do you wish to collaborate on that at all?

Mr. MCINTIRE. Thank you, Mr. Chairman, but I do not have any formal statement. I will be happy to respond to questions.

Senator HUMPHREY. Might I just ask this question:

On the President's special revenue sharing program for rural development, what is the stated policy of the American Farm Bureau Federation?

Mrs. SMITH. In regard to the proposal of 5 billion for general revenue sharing the farm bureau is opposed to this. As you know, we think we have a better proposal. The tax credit proposal which is now subject to consideration by the Congress.

So when this special revenue-sharing proposal for rural development came up the board of directors, of which I am a member, was in something of a dilemma. We considered it very carefully, since this proposal has in it the approach of getting control back to the States and local areas, the board decided that we would support this specific proposal for revenue sharing for rural development.

Senator HUMPHREY. Special revenue sharing?

Mrs. SMITH. Yes; special revenue sharing for rural development. However, we are not putting on any great campaign but that is our position in line with our policy as established last December.

Senator HUMPHREY. Has your organization taken any position on the subject or reorganization that was discussed here earlier? Now this committee I do not believe takes that up. It goes to Government Operations but it would be good to get your point of view.

Mrs. SMITH. No, we have not. This was brought up after our national convention last December, and I want to emphasize in Farm Bureau it is definitely members who make the policy and Farm Bureau members across the country are at present studying these proposals.

Now, we in Farm Bureau are aware that several Senators have expressed concern about the need for government reorganization. We are not a hardcore defense of the status quo group type of people. We are trying to objectively appraise the proposals. We realize that we ought to constantly be trying to strengthen our government.

We know that a number of consumer programs are currently being charged to the Department of Agriculture. We do not have a position, but we are studying the matter. I would be very grateful, with your permission, to be allowed to insert the study sheet which is being used by our counties, 2,818 counties across this Nation, an objective infromational sheet to encourage study of this issue with the objective of developing a policy.

Senator HUMPHREY. We welcome that, and it will be included as part of your testimony.

(The appendix is as follows:)

Appendix A

EXCERPTS FROM REPORT OF PRESIDENT'S TASK FORCE ON RURAL DEVELOPMENT

"WHAT IS RURAL DEVELOPMENT?"

"Rural development has many sides, but its main goal is to bring jobs, opportunity, and a better life to low income, underemployed people in rural America, not only for their own good, but for the welfare of all Americans. At the same time, this strengthens the economic foundation of successful enterprises already established in rural areas.

"In the quest for a better life for rural dwellers, the aim is to develop the type of rural society that will be capable of continuous renewal; one that will develop to the fullest its human resources; one that will remove obstacles to human fulfillment and self discovery; and one which will permit each individual the fulfillment that comes with the exercise of his talent.

"Obstacles based on race, creed, color or origin will also have to be eliminated if we want to bring a better quality of life to rural America and preserve the kind of nation we care about.

"A strong rural development program will help all people and the entire community and the quality of life enjoyed by all citizens.

"Rural development is concerned with improving the economic capability of individuals in rural nonmetropolitan America. It is concerned with improving the services of rural communities. It is concerned with improving the economic opportunities in the small cities, towns, villages and farming communities in rural America.

"People can provide much of this for themselves; some they can do together; some must come from outside sources.

"The most effective program to deal with rural underemployment and lagging incomes is to create job opportunities through private enterprise, accompanied with education and job training to better fit rural people for these jobs—plus one more ingredient: bringing the jobs and job-seekers together.

"We should keep in the forefront of our thinking that jobs are created by the ingenuity and ambition of private enterprise. Wealth is created by job-holding citizens and self-employed persons producing goods and services. Job development through private industry is the most effective rural development program. And the activities of rural development should be directed toward this goal.

"The real strength of rural development is that it harnesses local energies and is run by local people who know better than anyone their own problems, their own capabilities and their own priorities.

"Local rural development is a dedication of the strengths of individuals through their own institutions—schools, churches, clubs and organizations, business and industry—to make more jobs, create more opportunities and establish a better quality of life.

"Rural development as a community-wide action program cannot start unless the local people want it, and it cannot succeed unless local leaders aggressively promote it. If a community lacks leadership, if it lacks local concern, if it isn't convinced that it should become a better place to live—then perhaps it shouldn't. But sometimes rural development comes to just such a community through the evangelical crusade of one person to get the community to raise its sights and fire its ambition.

"Communities take on the characteristics of the people in them, reflecting their drive, ambition, pride, resourcefulness and will to work together. Vibrant, progressive communities don't just happen, nor are they beyond the reach of any of us.

"We can't guarantee prosperity for each community that starts a rural development program—but we can guarantee this: Any community will be better as a result of its effort.

"The proper role of State and Federal Government in rural development is to help local areas with their planning, to share ideas and to provide the means by which local communities can tap whatever assistance State and Federal Government offers to individuals and to local projects.

"Rural development does not 'give' people anything except the encouragement and tools to work together and the promise that their effort will be rewarded.

"Rural development is not:

A new agency of government.
A new appropriation to spend money in rural America.
A new set of directives from the Federal Government.
A program handed down and run from above.

"Rural development is, however, many things:

1. Rural development is aimed at those with low incomes and the underemployed, but it is not just a poverty program—however, dealing with poverty is a No. 1 challenge.

2. Rural development is a 'people' program to lift up those in greatest need, whether disadvantaged for economic or social reasons—but it is not a civil rights program or a rural slum program. However, by creating greater opportunity for all, those who will be helped the most are those who have been the most disadvantaged.

3. Rural development is aimed at job creation, but it is not just an industrialization program—although jobs through private enterprise is the key to long-lasting economic opportunity.

4. It is aimed at improving rural America, but it is not just a farm or rural program that benefits only those in the rural countryside—although this is where the work will be done.

5. Rural development is built on local initiative, but it does not depend solely on local resources and local leadership—nevertheless, local initiative is the key to the success of rural development.

6. Rural development is aimed at a better quality of life, but rural development is not just a social program—even though quality of life and a better society is the end product of rural development.

7. Rural development is aimed at population and industrial dispersion, but it is not just a land policy or settlement program—however, physical surroundings and environmental development are vital for clean air, clear water, open space, scenic beauty, recreation and 'room to live.'

"Rural development, then, is a combination of specific programs directed toward a broad horizon—all intended to help create a nation of greater beauty, deeper satisfactions and expanded opportunities for all Americans, now and in the future, both in urban and rural areas.

"Rural development will build a new rural countryside America; and by building a new and better rural America we will build better cities and a better America—a new life for the country."

Senator HUMPHREY. Senator Curtis, do you have questions at this time?

Senator **Curtis**. Would you elaborate a little bit on the point you made on the importance of local leadership in communities to promote development in the rural areas?

Mrs. **Smith**. I am delighted to.

In Farm Bureau we believe in the family basis, that all problems that possibly can should be solved by the family. When the family cannot solve them we think they should be solved locally by people working together at the community level. If they cannot be solved there then we turn to the county. If they cannot be handled there we turn to the State, and only as a last resort to the Federal Government.

But we believe strongly in the Farm Bureau that many, many problems can be solved at the local level if people will work together, set up priorities, objectives, develop a plan and work together toward carrying it out. This is the philosophy of the Farm Bureau, and I might add this philosophy is strong and precise in the report of the Task Force on Rural Development.

Senator **Curtis**. In that connection, about 4 or 5 weeks ago I was invited out to Aurora, Neb., to speak at the Second Annual Industry Recognition Day. I would guess that the population of Hamilton County is probably not to exceed 10,000 people, the county seat of Aurora may be 3,500. The local citizens there have done one of the most outstanding jobs of bringing in industry. I think they started one year ago with their first public meeting of recognition of what we had accomplished: in the second year I believe they had added about 200 job opportunities to the area.

They had added one or two industries that employed less than 10 people. They had one mobile home factory that was employing something over a hundred.

This community had some help in the way of guidance and contacts through the State Economic Development Commission, and they made use of industrial development bonds. Two hundred jobs probably means a great deal of added related business for the community.

I certainly want the Federal Government to do whatever is wise and necessary in this field. I agree with you, that rural development is a responsibility that will have to be carried by everybody, including the people in the rural areas.

Thank you

Senator **Humphrey**. Mrs. Smith, as I understand, there were in excess of 50, a little over 50 specific recommendations in the task force report, the report that you chaired?

Mrs. **Smith**. Yes.

Senator **Humphrey**. Could you tell us how many of those recommendations have been acted upon by the government?

Mrs. **Smith**. I am sure that you have material which handles this in much more detail than I have. I do know that the U.S. Department of Agriculture has reviewed those recommendations very carefully, that some of the proposals are now in the legislative hopper, that administrative action has been taken on some of our recommendations.

I do know that in all 50 States we do now have a State Rural Development Committee with, in most cases, a director of extension acting as the coordinator, and this was one of the recommendations of the task force.

Senator HUMPHREY. I think it would be well if we would ask our staff to keep a constant running accounting of how these recommendations are being implemented.

Mrs. SMITH. I think Mr. McIntire could add some more details to that.

Mr. MCINTIRE. Mr. Chairman and Senator Curtis, I would point cut that there has been an expansion and implementation in funding of small watershed programs as a part of the recommendations of the task force. That this is a vital program in rural development and there has been an increase in the funding of Public Law 566 programs, and there has also been—

Senator HUMPHREY. What is the 566? So the record will be clear for the uninitiated.

Mr. MCINTIRE. Small watershed program.

Senator HUMPHREY. Yes, the small watershed program.

Mr. MCINTIRE. There has been additional authorizations the resource conservation development program. These are a couple of additional items I think that responds to your question, Senator.

Senator HUMPHREY. One of the recommendations was the establishment of a rural development credit bank. I believe it was to be incorporated as a new title in the Farm Credit Act. How does the Farm Bureau view that recommendation? Has it taken any act of support or opposition?

Mrs. SMITH. The Farm Bureau recently testified in regard to the new farm credit legislation. We did not endorse the proposal for the rural development credit bank but Mr. McIntire is our specialist in this field and he can discuss this more in detail.

Senator HUMPHREY. You did support the farm credit recommendations?

Mrs. SMITH. With some amendments, yes.

Mr. MCINTIRE. May I say, Mr. Chairman and Senator Curtis, the Farm Bureau has no specific policy in relation to this point in the recommendations of the task force. May I elaborate on the recommendation of the task force. The idea that the task force had in its recommendation was that as a new title be established not an amendment to the present corporation structure of farm credit. A new title would protect the present corporation identity. Funding securities would be identified separate from the present long-term securities known in the marketplace. New securities would be offered on the strength of their own ability in the marketplace. This recommendation would draw on the expertise of the present Farm Credit administration. This capability and this administrative structure already set up could be of service to rural America on a broader basis than would likely be possible by amending the separate corporation structures of the existing Farm Credit System.

The idea was not accepted by the Farm Credit Board and so is not presently—in a legislative position on any bills which are before the Congress.

Senator HUMPHREY. So as I understand it, your position is not to amend the farm credit title?

Mr. MCINTIRE. No, we are not proposing that.

Senator HUMPHREY. But the position of the task force was that a separate corporate entity of a rural development bank that did not fall under the general umbrella of the Farm Credit Administration was desirable?

Mr. McIntire. Yes. If I might draw on a historical example, which would not be quite the same, because it would be setup a little different, but I am sure that you Mr. Chairman and Senator Curtis, recall that back in the early days of the thirties there was a lending vehicle setup by the Congress called the Land Bank Commissioner Loan.

The farm credit system as it existed in that day acted as the agent and administered those loans as the agent for the government. The loans were directly funded. They were loans made out of appropriated monies, and the mortgages and notes were made to the Treasury of the United States. But no additional, administrative structure was needed to move out with that kind of a lending tool. They used the system already in existence.

The task force idea was borrowing from the precedent. An idea that a lending service to rural America could be structured, a corporate structure in contrast to the government loan of the Land Bank Commissioner, a corporate structure which would stand on its own policies and guidelines but draw on the expertise of the Farm Credit System to move it out in the country without a new structure of administration.

Senator Humphrey. We will study that very carefully. The reason I asked these questions, is a good deal of interest among the members of the Congress as you know among the whole idea of a rural development bank. We have a number of bills, Senator McClellan has one, Senator Pearson has one and two or three others and the committee has been thinking about one and we would like to get your views and any other information you have because the importance of your organization will be greatly appreciated.

We will study very closely the report of the task force on this.

Mr. McIntire. Senator, if I might make an additional comment, I hope in the study of your committee on rural development, the importance of rural development in the States where there are substantial acreages of public land will also be evaluated. As you know, there is a report submitted to Congress by the Public Land Law Review Commission. It was my privilege to serve on the advisory committee of that commission. I am certain the subcommittee and you as chairman appreciate that in the States where there are very substantial Federal land holdings, and about one-third of our lands are Federal lands, that rural development in those States is related very closely to the resources of those lands.

These resources are not just simply the scenic beauty, as important as that is. There are renewable resources there. There are extractive resources also that, properly managed as a great many of them are today, provides the basis upon which the economy of both the livestock industry and the forest industry provides a very important basis to rural communities of those States and thereby important to rural development in the Nation.

I suggest as you consider rural development across America that the relationship of the management of the federally owned lands is vitally too important to economic development whether these lands represent 87 percent as is true in Nevada or whether it is 3 or 2 percent like some eastern states.

Senator **Humphrey**. That is a very constructive suggestion, and may I say I think one that has not had all the attention we ought to give it. The Committee of the Interior obviously has some jurisdiction, but we will give note to it.

(Additional information submitted by Mrs. Smith is as follows:)

(Farm Bureau Policy Development Fact Sheet No. 71-1)

PRESIDENT NIXON'S PROPOSALS FOR GOVERNMENT REORGANIZATION

In his January 1971 State of the Union address, President Nixon briefly outlined a proposal for extensive reorganization of the Executive Branch of government. Formally sent to Congress on March 25, 1971, the proposal calls for combining the functions of seven present cabinet-level departments into four. A number of the functions of various independent agencies and commissions would also be transferred to the four new departments.

The present Departments of Agriculture, Interior, Labor, Commerce, Transportation, Housing and Urban Development, and Health, Education and Welfare would be involved. No changes were proposed for the Departments of Defense, Justice, State and Treasury.

The seven departments involved would be combined into the new Departments of Natural Resources, Human Resources, Community Development and Economic Affairs.

In his March 25 message to Congress the President said:

"In the last forty years, as the Federal Government has grown in scope and complexity, the question of how it should be organized has been asked with even greater intensity and relevance. During this time, we have moved to formulate responsive answers to this question in an increasingly systematic manner. Searching studies of Government management and organization have been made under virtually every national administration since the 1930's and many needed reforms have resulted.

"What is now required, however, is a truly comprehensive restructuring of executive organizations, one that is commensurate with the growth of the Nation and the expansion of the government. In the last twenty years alone our population has increased by one-third and the Federal budget has quintupled. In the last two decades, the number of Federal civilian employees has risen by almost 30 percent and the domestic programs they administer have multiplied tenfold. Three executive departments and fourteen independent agencies have been tacked on to the Federal organization chart during that brief span.

"Yet it still is the same basic organization chart that has set the framework of governmental action for decades. While there have been piecemeal changes, there has been no fundamental overhaul. Any business that grew and changed so much and yet was so patient with old organizational forms would soon go bankrupt. The same truth holds in the public realm. Public officials cannot be patient with outmoded forms when the people have grown so impatient with government."

Legislation to carry out the President's proposals has been introduced in both Houses of the Congress and has been referred to the Committees on Government Operations. It is expected that the Senate Committee will start hearings in mid or late June, but no final action is anticipated before next year. Four separate bills—one for each of the proposed new Departments—will be considered.

[illegible]PARTMENT OF NATURAL RESOURCES

The proposed Department of Natural Resources (DNR) would be primarily composed of the entire Department of the Interior and segments of the Department of Agriculture. Interior would provide the new department with 32 percent of its personnel and 40 percent of its money; Agriculture would provide 33 percent of its people and 18 percent of its funds.

The DNR has been officially described as "a department concerned with our physical environment and the preservation and balanced use of those great natural resources on which this Nation depends."

Following is a table showing the exact composition of the proposed DNR:

	Fiscal year 1971	
	Employment (full time, permanent)	Budget outlays (in millions)
From the Department of the Interior:		
Bureau of Outdoor Recreation	504	$229
National Park Service	6,935	160
Bureau of Sport Fisheries and Wildlife	3,839	143
Bureau of Land Management	3,678	204
Bureau of Reclamation	9,290	324
Office of Saline Water	144	39
Office of Water Resources Research	42	12
Geological Survey	8,201	110
Bureau of Mines	5,588	208
Power Marketing Agencies	3,332	130
Bureau of Indian Affairs	14,574	383
Office of Territories	368	86
Office of Coal Research	23	17
Office of Oil and Gas	63	1
Office of Minerals and Solid Fuels	7	
Oil Import Administration and Appeals Board	(1)	
Defense Electric Power	6	
Underground Power Transmission Research	2	
Departmental Administration	1,324	9
Subtotal	57,920	2,055
rom the Department of Agriculture:		
Forest Service	21,430	612
Soil Conservation Service	14,419	289
Agricultural Research Service (Soil and Water Conservation Division)	1,004	16
Economic Research Service (Natural Resources Economics Division)	160	3
Farmers Home Administration (Watershed loans only)	41	6
Subtotal	37,054	926
From the Department of the Army: Corps of Engineers (planning and funding only)	2,500	1,366
From the Atomic Energy Commission:		
Uranium raw materials	124	5
Uranium enrichment	226	165
Civilian nuclear power reaction	0	288
Plowshare (funding and certain planning functions only)	21	9
Subtotal	371	467
From the Water Resources Council: All functions	39	5
From the Department of Transportation: Oil and gas pipeline safety programs	83	3
From the Department of Commerce: National Oceanic and Atmospheric Administration	12,422	267
Departmental Administration: (other than Interior)	320	5
Grand total	110,708	5,094

[1] Included in OOG.

DEPARTMENT OF HUMAN RESOURCES

The proposed Department of Human Resources (DHR) would be dominated by functions of the present Department of Health, Education and Welfare and would include the feeding programs of the USDA. HEW would provide 84 percent of its personnel and 83 percent of its funds, while USDA would provide 10 percent of its personnel and 3 percent of its funds.

The DHR has been officially described as "a department dealing with the concerns of people as individuals, as members of a family—a department focused on human needs."

Following is a table showing the exact composition of the proposed DHR:

	Fiscal year 1971	
	Employment (full time, permanent)	Budget outlays (in millions)
From the Department of Health, Education and Welfare:		
Food and Drug Administration	4,551	382.5
Health Services Mental Health	25,234	1,582.3
Deduct Bureau, Occupational Health and Safety	−514	−13.0
National Institutes of Health	11,244	1,553.5
Enviornmental Health Service	955	50.4
Social Security Administration	51,652	2,841.1
Office of Education (except public library construction grants, to be in DCD)	2,892	4,470.3
Social and Rehabilitation Services	1,865	10,640.4
Special Institutions	0	67.7
Office of the Secretary	4,505	8.5
(Construction included above)	(500)	(819.0)
Subtotal, Federal funds	102,384	21,323.7
Social Security trust funds	0	43,181.0
Receipts and intergovernmental deducts	0	−2,589.3
Subtotal	102,384	61,915.4
From the Office of Economic Opportunity:		
Alcoholism, family planning, drug rehabilitation	39	34.9
Migrants	47	37.0
Nutrition (phasing out)	22	28.8
Subtotal	108	100.7
From the Department of Labor:		
Manpower Administration	4,595	1,600.9
Employment Service	0	374.5
Women's Bureau	75	1.2
UCFEX	0	319.4
U.I. benefits and administration	0	5,589.9
Overhead	492	8.1
Subtotal	5,162	7,894.0
From the Railroad Retirement Board	1,933	1,906.8
From the Department of Housing and Urban Development: College housing	60	139.3
From the Department of Agriculture:		
Economic Research Service	39	1.0
Agriculture Research Service (Human nutrition and consumer research programs)	225	4.0
Food and Nutrition Service	2,170	2,220.1
Meat and Poultry Inspection	9,200	131.8
Egg Products Inspection	0	0
Overhead	326	5.8
Subtotal	11,960	2,362.7
From the Department of Commerce: flammable fabrics	33	.9
President's Committee on the Handicapped	37	.7
Grand total	121,677	74,320.5

DEPARTMENT OF COMMUNITY DEVELOPMENT

The proposed Department of Community Development (DCD) would be primarily composed of activities now carried out by the Departments of Housing and Urban Development and Transportation. HUD would contribute 42 percent of its personnel and a third of its funds while DOT would supply 17 percent of its employees and 52 percent of its money. USDA would provide the DCD with 21 percent of its people but only three percent of its funds.

The DCD has been officially described as "a department concerned with the community—rural communities and urban communities—with the need to create and preserve a safe and wholesome living environment for every person."

Following is a table showing the exact composition of the proposed DCD:

THE PROPOSED DEPARTMENT OF COMMUNITY DEVELOPMENT

	Fiscal year 1971	
	Employment (full time, permanent)	Budget outlays (in millions)
From the Department of Housing and Urban Development:		
Housing production and mortgage credit (includes Federal Housing Administration and GNMA)—(excludes college housing program to DHR)	9,177	$439
Housing management	1,509	316
Community planning and management	362	54
Community development	1,393	1,728
Federal Insurance Administration	64	−4
Open space program		72
Subtotal	12,565	3,105
From the Department of Agriculture:		
Rural Electrification Administration	879	547
Certain functions and staff from the Farmers Home Administration:		
Water and waste disposal grants and loans	525	38
Rural housing	4,826	−321
Subtotal	6,230	264
From the Department of Health, Education, and Welfare: Grants for the construction of public libraries	1	12
From the Office of Economic Opportunity:		
Community action programs (including senior opportunities and services)	1,500	400
Special impact programs	37	26
Subtotal	1,537	426
From the Department of Transportation:		
Federal Highway Administration and its programs, except motor carrier safety	4,610	4,778
From NHTSA: Highway safety grants	111	66
Urban Mass Transportation Administration	258	215
Subtotal	4,979	5,059
From the Department of Commerce:		
Economic Development Administration	911	251
Regional commissions	52	30
Subtotal	963	281
From the Appalachian Regional Commission: Entire Commission	127	275
From the Small Business Administration: Disaster loan program	10	94
From the Office of Emergency Preparedness: Disaster relief operating Functions	100	3
General Department Administration	3,465	147
Grand total	29,977	9,666

DEPARTMENT OF ECONOMIC AFFAIRS

The proposed Department of Economic Affairs (DEA) would be dominated by present functions of USDA and would include the bulk of the Departments of Labor and Commerce. USDA would provide DEA with 26 percent of its employees and 60 percent of its funding. The Federal Aviation Administration with its thousands of inspectors and traffic controllers would contribute about half of DEA's employees, but only one-eighth of its funding.

The DEA has been officially described as "a department concerned with the growth and health of our economy—with our jobs, our businesses, our farms, and those many activities that maintain and strengthen the American economy."

Following is a table outlining the exact composition of the proposed DEA:

THE PROPOSED DEPARTMENT OF ECONOMIC AFFAIRS

	Fiscal year 1971	
	Employment (full time, permanent)	Budget outlays (in millions)
From the Department of Commerce:		
Bureau of Domestic Commerce	861	$13
Bureau of International Commerce	1,117	28
Office of Business Economics	302	4
Bureau of the Census	3,475	102
Economic Development Administration (except planning and public works)	375	78
Maritime Administration	1,678	434
Office of Minority Business Enterprise	68	2
Patent Office	2,679	55
National Bureau of Standards (except Product Safety)	3,057	44
U.S. Travel Service	77	5
National Technical Information Service	365	4
Office of Foreign Direct Investment	118	2
Regional Action Planning Commission (title V) (business development and technical assistance only)	0	0
Office of Telecommunications	248	0
Departmental Management	700	4
Subtotal	15,120	775
From the Department of Labor:		
Bureau of International Labor Affairs	163	3
Labor-Management Services Administration	725	15
Workplace Standard Administration (except Women's Bureau, and Bureau of Employees' Compensation	2,107	38
Bureau of Labor Statistics	1,660	28
Occupational Health and Safety Administration	560	11
Departmental Management	554	4
Subtotal	5,769	99
From the Department of Agriculture:		
Farmers Home Administration: Farm operating loans	2,655	[1] 579
Farmer Cooperative Service	100	2
Commodity Exchange Authority	170	3
Consumer and Marketing Service (except food inspection programs)	5,125	493
Packers and Stockyards Administration	208	4
Economic Research Service	841	14
Foreign Economic Development Service	126	0
Cooperative Extension Service	275	160
Statistical Reporting Service	1,220	18
Agricultural Research Service (except Human Nutrition and Home Economics Research)	13,553	269
Cooperative State Research Service	92	07
National Agricultural Library	190	5
Commodity Credit Corporation	(2)	[3] 3,592
Agricultural Stabilization and Conservation Service	4,037	512
Export Marketing Service	200	703
Federal Crop Insurance Corporation	645	9
Foreign Agricultural Service	735	26
Departmental Management	1,710	21
Subtotal	31,882	6,480
From the Department of Transportation:		
Federal Highway Administration (motor carrier safety program only)	221	3
National Highway Traffic Safety Administration (motor vehicle safety and alcohol safety programs only)	540	44
Federal Railroad Administration	1,130	48
Federal Aviation Administration	54,261	1,355
Coast Guard [4]	[1] 5,825	618
St. Lawrence Seaway	171	4
National Traffic Safety Board	274	6
Office of the Secretary (except SST program to NASA)	1,732	36
Subtotal	64,154	2,114

	Fiscal year 1971	
	Employment (full time, permanent)	Budget outlays (in millions)
From the Small Business Administration: Entire administration (except nonresident loan program)	4,100	$1,300
From the Federal Mediation and Conciliation Service: Entire service	438	9
From the Department of Health, Education, and Welfare: National Institute for Occupational Health and Safety	514	13
From the National Mediation Board: Nonregulatory functions only	60	1
From NASA: Office of Technology Utilization	40	4
From Smithsonian Institution: Science information exchange	0	1
Grand total	[4] 122,077	10,796

[1] Includes $578 loan level.
[2] In ASCS.
[3] Includes $2,027 loan level.
[4] Plus 39,167 military.

FARM BUREAU AND REORGANIZATION

Since the subject of reorganization came up after the 1970 AFBF convention, it has not yet been possible for the official voting delegates to give consideration to the President's reorganization proposal. Feeling that legislation would move slowly, the AFBF Board of Directors decided at its March, 1971 meeting that it was not necessary to attempt to establish a Farm Bureau position at that time and instead moved to encourage State Farm Bureaus to give the subject top priority in their 1971 Policy Development programs.

Current Farm Bureau policy favors efficiency in government and calls for action to avoid duplication of efforts by various agencies and departments. It would appear that the reorganization proposal is intended to promote these objectives. On the other hand, current Farm Bureau policy does not address itself to the matter of whether the Department of Agriculture should be continued as a separate entity—which it would not be if the full reorganization plan were to be adopted. The basic question here is whether the administration of agricultural programs requires a separate department. The basic legislation authorizing such programs would not be changed by the proposed reorganization. These are but a few of the items to be taken into consideration in deciding Farm Bureau's final position on the subject.

STUDY QUESTIONS

Should Farm Bureau support or oppose the Administration's reorganization proposal?

Would certain amendments make the proposal more acceptable? If so, what changes should Farm Bureau propose?

Senator HUMPHREY. As Senator Curtis has said, we do have a vote. We thank you for your patience.

If there are other members here or other witnesses—yes, please do so.

STATEMENT OF [illegible]BERT HANDSCHIN, RESEARCH DIRECTOR, FARMERS UNION GRAIN TERMINAL ASSOCIATION, ST. PAUL, MINN.

Mr. HANDSCHIN. We have had a resolution by our cooperative every year on this subject.

Senator HUMPHREY. Just identify yourself by name and address, sir.

Mr. HANDSCHIN. We certainly hope the committee continues. This is a turning point in the rural policy. Our city grew up because we had power, transportation, labor, and capital. We can furnish all those things in rural areas, but each is a special job to get the right kind of transportation and power and the labor force we need and the capital through some special arrangement. Through this they can get a better organization.

Senator HUMPHREY. Thank you, Mr. Handschin.

We will place your paper titled Resolution No. 11 in the record following your remarks.

(The resolution is as follows:)

RESOLUTION NO. 11—RURAL DEVELOPMENT

(Adopted at Annual Meeting, Farmers Grain Union Terminal Association, November 17 and 18, 1970)

Development of rural economic opportunities is badly needed and justifies increasing recognition in the programs of State and Federal governments. Decentralization of industries and more jobs in rural areas is a goal which should have far more intensive effort than it has had so far.

Nearly half of the poverty of this Nation is to be found in rural areas caused by much under-employment, inadequate housing, health and education, and lack of other important community services.

Better farm income plus more effort for rural development is needed to stop the drain of rural population into the cities, where overcrowding is creating problems impossible to solve.

The naming of a Rural Affairs Council by the President over a year ago so far has resulted in no action to carry out the Administration's many words promising help for rural development. We call on the Congress to demand action.

Rural development depends on power and communications. Rural electric and telephone cooperatives are essential to any rural progress. They must have funds at low interest rates and must be protected from territorial raids by investor-owned companies. This is needed so these cooperatives can be an effective yardstick for all consumers.

There is a very great need for more educational and vocational training opportunities for rural youth. We believe the fact that a large part of farm business is done cooperatively means that courses in cooperation should be offered in our schools. There are excellent opportunities to develop experienced farm workers on family farms under the Federal Manpower Training Act which we believe our organizations should utilize.

Senator HUMPHREY. We will also place in the record at the proper point the material submitted by the Farm Bureau witness entitled "President Nixon's Proposals for Government Reorganization."

(For the material, see p. ---.)

Senator HUMPHREY. Well, that brings us to the end of our hearing for today. The committee will now adjourn.

Thank you very much.

(Whereupon, at 4:45 p.m., the subcommittee adjourned, to reconvene the following morning at 1 a.m., Thursday, June 17, 1971.)

RURAL DEVELOPMENT

THURSDAY, JUNE 17, 1971

U.S. Senate,
Subcommittee on Rural Development,
Committee on Agriculture and Forestry,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 1318, New Senate Office Building, Hon. Hubert H. Humphrey presiding.

Present: Senators Humphrey and Bellmon.

Senator Humphrey. We will be having a number of Senators coming in and out. When we plan these hearings we do not always know we are going to have as much activity over on the Senate floor as we are having today. The Senate convened at 9:45 a.m., and you heard the quorum call. We have to answer these calls as often as we possibly can, so we may have to interrupt our proceedings from time to time. I hope the witnesses will understand.

Right now some of our members of the subcommittee are in the Senate and they will return here as soon as they can. But we will proceed with the hearings because you witnesses have come a long way and we appreciate your helpfulness and your cooperation.

Our first witness is Mr. William Bonner of the board of governors of the American Institute of Planners.

I want to welcome you again, Mr. Bonner. I hope you enjoyed your visit to Minneapolist last year.

Go ahead, sir. We are ready to hear from you at this time.

STATEMENT OF WILLIAM S. BONNER, MEMBER, BOARD OF GOVERNORS, AMERICAN INSTITUTE OF PLANNERS, AND CHAIRMAN, CITY PLANNING DIVISION, UNIVERSITY OF ARKANSAS, FAYETTEVILLE, ARK., AND ALBERT L. MASSONI, DIRECTOR, NATIONAL AFFAIRS, AMERICAN INSTITUTE OF PLANNERS

Mr. Bonner. We certainly did.

Senator Humphrey. I enjoyed very much the opportunity to address your fine convention last year.

We would appreciate it if you would just proceed and when you are through we will ask you whatever questions come to mind.

Mr. Bonner. Thak you, Mr. Charman.

Mr. Chairman and members of the subcommittee, I am William S. Bonner, member of the board of governors of the American Institute

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of Planners and professor and chairman of the city planning division, University of Arkansas.[1]

Accompanying me today is Mr. Albert Massoni, director of national affairs for the institute.

On behalf of the membership of the institute, I would like to thank the committee for the opportunity to appear and present our views on various aspects of rural development.

BALANCED NATIONAL GROWTH POLICY

The institute strongly favors formulation of a comprehensive national development policy.

At present, no one agency speaks for the satisfaction of our total domestic needs: Responsibility is scattered throughout the Federal Government and discharged in terms of a multitude of short range, erratically funded, and sometimes contradictory programs.

In order to cope with the growing magnitude of our domestic problems, we believe it is essential that domestic planning at least match the sophistication of defense and space planning efforts. The institute has for several years proposed the convening of a White House conference on national development policy, so far to no avail.

The Nation needs to have a set of cordinated policies in such areas as population distribution, industrial dispersion, land use, resource management, agriculture, housing, education, employment, and quality of life. In developing such policies, we firmly believe that Congress itself should compile and analyze its current policies as set forth in its legislation to determine if they are indeed a coordinated set of policies that will lead to achievement of the goals of the programs legislated.

Mr. Chairman, in your talk before the American Institute of Planners at Minneapolis last fall, you suggested creating a joint congressional committee to evaluate the successes and failures in implementing national goals and policies——

Senator Humphrey. Would you let me just interrupt there. We are going to introduce that legislation. We have at present in the Joint Economic Committee a subcommittee that does some of this. But it is my view that a special joint committee is needed.

Mr. Bonner. Of course, it would help keep the Congress up to date on the relationship among existing Federal programs, proposed new ones, and national objectives. The institute heartily endorses your suggestion. It should be borne in mind that if the entire body of legislatively stated goals and policies—implicit as well as explicit—is not consciously coordinated and comprehensively conceived, there will be no way to assure any consistency and coordination of executive implementation. The State and Federal legislatures represent the people in a more intimate sense than the Chief Executive and bureaucratic officials ever can. We believe, therefore, that legislatures should independently devise, not simply confirm executive suggestions for, basic policies to guide organization and execution of programs.

In respect to a balanced policy, it is regrettable that we must use the terms "urban" and "rural" due to varying popular conceptions. It may be more appropriate that we live with the geographic dichotomy considering "urban" as being the standard metropolitan statistical areas and "rural" as being the nonmetropolitan remainder.

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[1] The city planning division is a service and research unit of the College of Arts and Sciences, University of Arkansas and has provided planning information and assistance to small cities and to counties of the State for the past 20 years. The emphasis of its program has been community service activities.

We suggest that our people now live in regional communities, and that this bears directly on the area of this committee's interest.

The term "regional community" is offered as a broad label to cover both concentrated and dispersed populations.

When we speak of concentrated populations, we refer to central city, suburbs, and rural-urban fringe. When we speak of dispersed populations, we are speaking of urban places up to 50,000 population, a network of smaller communities, and individual living units dispersed over the countryside.

The same linkages are present in both the dispersed and concentrated communities with density and distance, the two major physical differences.

Another difference, to use a term coined by Governor Gay, is that of "distribution of opportunity" which during most of this century has favored communities of concentrated populations.

Physical proximity of specialized sciences, as a hospital, favors residents of the concentrated community. However, it is possible for an individual living in a dispersed community 30 miles from a hospital to reach that hospital as fast or faster than his city cousin.

Organization and structure of our local political institutions have not changed significantly since the turn of the century to compensate for the technology gap which puts dispersed populations at a disadvantage in terms of responding, or reacting, either to their best potentials for social and economic development or to initiatives taken by State and Federal Governments and major private corporations. Such dispersed communities are far less "masters of their fate" than more concentrated communities.

In Arkansas, we have seen our eight statutory planning and development districts as the vehicle by which to overcome the disparities and disadvantages being experienced by the dispersed population.

We believe these districts have already helped both local community governments and private enterprise to grasp opportunities for improvement which would not have been recognized—let alone exploited—without the special technical talents and information available from district staffs.

Districts should seek every possible means and resource to offer to local communities the "on call" services of qualified specialists. This does not mean that districts will have on their staffs all the expertise needed to solve both areawide and local problems. Rather the districts should seek to make use of the expertise of other agencies, such as the Extension Service.

There is opportunity for Extension to develop specialists in areas outside of agriculture per se. We find that personnel, working at the district level, are better able to articulate the needs of local communities and are more persuasive in arguing the case for support of their needs with State and Federal agencies. We anticipate that the districts will, in fact, become the major communication link between State and local governments.

I would like to suggest a few characteristics——

Senator HUMPHREY. You speak of S. 1612.

Mr. BONNER. That is special rural development revenue sharing.

Senator HUMPHREY. Special revenue sharing?

Mr. BONNER. I would like to inject at this time some suggested characteristics for the multicounty organizations.

1. They should be statutory entities with comprehensive areawide planning and development responsibilities.

2. They should cover the entire State. Provision should be made for realinement of counties or establishment of additional districts without State legislative approval.

I think one of the problems we are faced with today is that in creation of districts we are probably creating a larger district than perhaps is desirable because of economic funding, and it may be desirable at a later date—for example, in Arkansas we have some districts that cover 11 or 12 counties—to perhaps subdivide them into six districts as the State increases support to those districts. The States provide the mechanism which the members cannot do without.

Senator HUMPHREY. These districts you speak of are multi-county?

Mr. BONNER. These are multicounty districts, that is right, Senator.

Senator HUMPHREY. When did Arkansas pass that legislation?

Mr. BONNER. Actually, the language and development of the districts in our State was created in the 1969 General Assembly. Before that we were completely covered with economic development districts, and they have been made multiple-purpose by that legislation.

Senator HUMPHREY. I see.

Mr. BONNER. To continue:

3. States should appropriate funds for the districts on a matching basis to insure a continuing financial base.

Georgia, for a number of years, I think perhaps almost a decade has made available approximately $50,000 a year to the districts on a matching basis. I believe they have a sliding scale so that State and local funds in Georgia amount to about $80,000 a year to support districts.

In Arkansas the 1969 legislation provided $30,000 a year for the local match to support the districts and the General Assembly that just recessed continued that appropriation.

Missouri, however, to the north of us, appropriated about a quarter of a million to support 21 districts, but so far the legislature has not moved to support this.

Senator HUMPHREY. These are also eligible for Federal grants, aren't they? They qualify as a governmental entity, so they can get some Federal grants?

Mr. BONNER. That is right. In Arkansas, for example, the districts included health planning, and the economic development program. Criminal justice and law enforcement could be added, but that is one the Government did not put in the district alinement.

Now, in Georgia they are probably as successful as anyone in which the districts have combined many Federal programs, because they were established so long ago that they had the machinery set up to do it. The rest of the States, most of us, are playing catch-up.

Another characteristic of these districts is that they should have the authority to assist local government through provision of services and technical assistance.

5. Districts should have substantial in-house staff services for undertaking catalytic, informational and service activities.

6. Federal and State agencies that have programs requiring a regional approach should be required to work through the State-established districts.

We believe that the comprehensive multidistrict organization is the missing link in making federalism work.

NATIONAL RURAL DEVELOPMENT PROGRAM

The Institute favors the formulation of national development programs, not urban programs and not rural programs.

Our Nation can be viewed as a composite of regional communities, each with its areawide planning and development organization, each with unique characteristics, problems, potentials or lack thereof. Federal programs should be designed to assist all regional communities to be viable units of the Nation.

When programs are proposed, their impact should be weighed as to effects both on the concentrated populations and on the dispersed population. If a Federal program proposes industrial dispersion favoring location of new industries in areas of dispersed populations, then the implications for areas of concentrated populations must be assessed.

To date, most financial inducements for industrial dispersion are made by localities and States. Should all States offer the same financial inducements, it is the same as no inducement at all in terms of influencing industrial location.

I might also parenthetically say here that in most States the inducements apply to the large cities as well as the small cities, so that basically it does not, even within the state, cause an inducement to move to a small or dispersed concentrated community.

Can such practices implement a national development policy? Why not a program of Federal inducements, by Congress, based on national policy? One such inducement might be a low discount rate on investment or operating capital by the Federal Reserve Board, by direction of Congress, for industries that locate in designated regional communities of dispersed population where Congress has determined that the national policy will be served by such action.

Senator HUMPHREY. Has that recommendation been given a good deal of discussion at the university?

Mr. BONNER. Yes this came from people in agriculture and economic and rural sociology at the university who have been doing some research in the area of Ozark poverty.

Senator HUMPHREY. You know, the Federal Reserve Board turned down such a suggestion on housing. It says it does not like to engage in social policy. I always assume when they raise the interest rates that has some effect on social policy. If you mention social policy to those fellows they run away from you. But they stick you with that tight money and these high interest rates, which really sets social policy.

What you are saying is you want a low-discount rate?

Mr. BONNER. That is right, there should be a mechanism worked out in which it would be possible, instead of the discount rates raised or lowered by the entire Nation, it would be by subdistricts in the community, raised on a subregion setup.

SPECIAL RURAL REVENUE SHARING (S. 1612)

The definition of "State Department Planning System" in Senate bill 1612 is predicated on multijurisdictional planning districts. The Institute favors the establishment of such districts and also advocates that a county should be a member of only one multijurisdictional planning district. We also advocate that characteristics of membership, the duties and authorities of the district should be set forth in State enabling legislation. Only when State-enabling legislation is lacking should the Governor be called upon to establish their membership, duties and authorities.

The elimination of such federally sponsored multijurisdictional single purpose districts as the economic development districts, resource conservation and development districts, et cetera, can go a long way to encouraging the States to establish comprehensive multijurisdictional planning agencies. Logically, such agencies can be supported by the funds made available through revenue sharing—although, here, we suggest that a more accurate term would be "bloc grants" rather than "special revenue sharing."

The bill, however, does not require that the states make available to districts a portion of available funds. If Congress in its wisdom mandates the districts on the States, it would seem appropriate also to mandate adequate financial support for the districts by the States.

REORGANIZATION

Regardless of the structure in which programs are placed and administered, there is need for redirection of a number of programs currently in the U.S. Department of Agriculture.

The Extension Service provides an information example; in early 1970, the Administrator of the Federal Extension Service in a memorandum to State extension directors stated:

> It seems essential that State USDA Rural Development Committees establish close cooperative relations with appropriate units of State government. The alternative ways in which to achieve this are left to your discretion. You may want to consider the consequences of becoming closely identified with or coordinated by State government administration. One of the great strengths of Extension in conducting its educational responsibilities as a part of the land grant university has been its objective, unbiased approach in working directly with private industry and local people. It seems essential that Extension cooperate fully and work closely with all units of government without being controlled or allied in a formal sense with such units.

The above indicates a reluctance on the part of USDA to assume a prominent role in rural development. Extension appears to be denying that it is an instrumentally of State government when in fact the land-grant universities are an integral part of this institutional structure of the States.

The President's Task Force on Rural Development in its report of March 1970 stated what it believed rural development to be. One can talk about eliminating low income, undertaking people programs, efforts to lift up those in greatest need, job creation, local initatives, quality of life, industrial opportunity and the like—and as long as one talks about these to individuals, and to local governmental officials, not much is going to be accomplished.

About 2 weeks ago I attended a meeting sponsored by one of the Arkansas Planning and Development Districts for municipal officials from cities in a seven-county area. The seven counties have 33 incorporations, of which 21 are under 400 population and only one falls in the 5,000 to 10,000 population class. Each individual at that meeting, I am sure, would subscribe to the Task Force's concept of what rural development is. But it is pitiful to hear firsthand their helplessness as individual communities.

It was obvious that the staff of the planning and development district offered their only hope for attention to many of their problems. The attention the staff can provide is not only for a single community situation—but also on an areawide base.

What troubles me about the task force report is that it does not recognize that rural development must call for a new mechanism between local and State governments. A mechanism that cannot only bring to the attention of local governments opportunity for Federal and State aid, but also can provided the necessary professional and technical expertise and followthrough.

In addition, the mechanism must be in position to look at problems and opportunities on a comprehensive areawide basis. The rural area redevelopment program (RAD) could not achieve most of its objectives because such a mechanism was lacking. I fear the same will be true of the efforts of the USDA-sponsored State rural development committees unless the constituent agencies are willing to join together and make a coordinated effort at making available their services and programs through areawide mechanisms.

The use of multicounty administrative units—coterminous with areawide planning units—offers a sound approach to efficient and effective delivery of USDA services and programs the USDA, in my opinion, should abandon the county as a basis for delivery of its programs, as it is uneconomic—and with today's modern communication and transportation, physical proximity is no longer a prime requisite.

For example, a 10-county cooperative extension district might result in a substantial reduction of agricultural agents. Instead of one agricultural agent for each of 10 counties, there may be need for only three or four to serve the 10-county area. Instead of 10 relatively low-paid agricultural agents, there would be a much lesser number of well-paid agents. In addition, the funds released in reducing the number of agents will permit its utilization for specialists in the functional areas previously mentioned.

The USDA has not yet faced up to the need for an integrated multi-county delivery system, and the need to coordinate its efforts in rural development with those of planning and development districts. There is need to work out the means for coordination and delivery of services.

In conclusion, I wish to reiterate that the Institute favors a national development policy. We believe in the areawide need to provide effective service to local governments on the one hand and on the other to provide linkages between local governments and State and Federal to make Federalism work.

Mr. Chairman, the Institute believes that through the efforts of this committee the Congress will elevate rural development to a position of priority.

I wish to thank you for the opportunity to appear and make this statement.

Senator HUMPHREY. I am going to ask that the full text of your two statements be printed here in the record since you skipped some paragraphs of your prepared testimony, which we appreciate, for conservation of time.

Mr. BONNER. Thank you, Senator.

(The prepared statements of Mr. Bonner follow:)

Mr. Chairman and members of the Subcommittee, I am William S. Bonner, Member of the Board of Governors of the American Institute of Planners and Professor and Chairman of the City Planning Division, University of Arkansas.[1] The American Institute of Planners is an organization of over 6,200 professional planners who work at all levels of government and in private practice. The American Institute of Planners is devoted to the study and advancement of the art and science of local, regional, state and national comprehensive planning. Members of the Institute have major responsibilities in all levels of government and in private practice working with elected officials as well as with private organizations whose actions and policies directly affect the quality of the national environment. Accompanying me today is Mr. Albert Massoni, Director of National Affairs for the Institute.

On behalf of the membership of the Institute, I would like to thank the Committee for the opportunity to appear and present our views on various aspects of rural development.

BALANCED NATIONAL GROWTH POLICY

The Institute strongly favors formulation of a comprehensive National Development Policy. The lack of a broad and consistent policy for national development has contributed to the deterioration of our environment and to progressive alienation of many of our people from the institutions and practices of our established governments at all levels. At present, no one agency speaks for the satisfaction of our total domestic needs: responsibility is scattered throughout the federal government and discharged in terms of a multitude of short range, erratically funded and often contradictory programs. In order to cope with the growing magnitude of our domestic problems, we believe it is essential that domestic planning at least match the sophistication of defense and space planning efforts. The Institute has for several years proposed the convening of a White House Conference on national development policy, so far to no avail.

The Nation needs to have a set of *coordinated* policies in such areas as population distribution, industrial disperson, land use, resource management, agriculture, housing, education, employment and quality of life. In developing such policies, we firmly believe that Congress itself should compile and analyze its current policies as set forth in its legislation to determine if they are indeed a coordinated set of policies that will lead to achievement of the goals of the programs legislated. Mr. Chairman, in your talk before the American Institute of Planners at Minneapolis last fall, you suggested creating a Joint Congressional Committee to evaluate the successes and failures in implementing national goals and policies and to keep the Congress up-to-date on the relationships among existing federal programs, proposed new ones and national objectives. The Institute heartily endorses your suggestion. It should be borne in mind that if the entire body of legislatively stated goals and policies—implicit as well as explicit—is not consciously coordinated and comprehensively conceived, there will be no way to assure any consistency and coordination of executive implementation. The State and Federal legislatures represent the people in a more intimate sense than the chief executive and bureaucratic officials ever can. We believe, therefore, that legislatures should independently devise, not simply confirm executive suggestions for, basic policies to guide organization and execution of programs.

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[1] The City Planning Division is a service and research unit of the College of Arts and Sciences, University of Arkansas and has provided planning information and assistance to small cities and to counties of the State for the past 20 years. The emphasis of its program has been community service activities.

In respect to a balanced policy, it is regrettable that we must use the terms "urban" and "rural" due to varying popular conceptions. It may be more appropriate that we live with the geographic dichotomy considering "urban" as being the Standard Metropolitan Statistical Areas and "rural" as being the non-metropolitan remainder.

We suggest that our people now live in *Regional Communities*, and that this bears directly on the area of this committee's interest.

While the term *regional community* is offered as a broad label to cover both concentrated and dispersed populations (metropolitan and nonmetropolitan), areas and agencies, the principal reason for its use is to provide a conceptual focus for viewing populations, both concentrated and dispersed, as actual communities. If one assumes that the concept of "community" implies the existence of a structure of human interrelationships and interactions, it is possible to visualize the stretching-out of a (normally) concentrated urban community so that its extent, in geographic terms, is much greater or wider. Even though this stretching somewhat alters the time-scale of interactions, the really essential characteristics of community needs and aspirations remain unchanged, and most of the more desirable socio-economic interrelationships would still exist.

Widely dispersed populations may, in fact, exhibit as great a degree of social cohesion as concentrated populations in highly urbanized areas; past inattention to this possibility may have resulted from the assumption that magnitude and intensity of social and political interactions are functions of the geographic space in which they occur. (The smaller the geographic space, the greater the density of population, the greater the social and political cohesion.) This does not necessarily apply in today's world. Modern technology has intensified and expanded the social, economic, and political interaction patterns and linkages of dispersed populations, while at the same time defense mechanisms of individuals in concentrated populations have worked to reduce social cohesion.

Organization and structure of formal community institutions have not changed, however, to reflect the circumstances induced, or made feasible, by technology—and the gap which has resulted increasingly puts dispersed populations at a disadvantage in terms of responding, or reacting, either to their best potentials for social and economic development or to initiatives taken by State and Federal governments and major private corporations. Such dispersed communities are far less "masters of their fate," therefore, than more concentrated communities, even though the later have their own serious deficiencies.[2]

In Arkansas, we have seen our statutory planning and development districts as the vehicle by which to overcome many of these disparities and disadvantages. We believe these districts have already helped both local community governments and private enterprise to grasp opportunities for improvement which would not have been recognized—let alone exploited—without the special technical talents and information available from district staffs. In our view, this service characteristic should remain paramount; districts should not seek or be given governmental authority. They should instead seek every possible means and resource to offer to local communities the "on call" services of highly qualified technical personnel in those fields where individual communities could not afford such service. This does not mean that districts will have on their staffs all the expertise needed to solve areawide and local problems. Rather the districts will make use of the expertise of other agencies, such as the Extension Service. There is opportunity for Extension to develop specialists in areas outside of agriculture *per se*. We find, as well, that such personnel are better able to articulate the needs of local communities and are more persuasive in arguing the case for support of such needs with State and Federal agencies. We anticipate that the districts will, in fact, become the major communication link between State and local governments. We, therefore welcome the support being given to such arrangements in S. 1612. We believe, in Arkansas, that district staffs can provide that type of leadership which was advocated by Christ when he counselled, "—let the leader be as one who serves." And, in so serving, we would hope that district staffs will be sensitive to the needs and problems of persons beyond the boundaries of their particular service area.

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[2] The attached paper "Areawide Planning and Development" discusses the need to strengthen the federal system through viable areawide planning and development agencies. In the paper I gave attention to a structure to meet needs of dispersed (nonmetropolitan) population.

A "balanced and comprehensive development policy" must therefore be concerned with the problems of both concentrated and dispersed populations as a total national entity. No single function, or program, or interest group, or geographic area should dominate or bias such policy. No short term gain for any such subunit of our nation will be more than transitory if we build divisiveness on unwarranted distinctions and favors (or penalties) in the process.

NATIONAL RURAL DEVELOPMENT PROGRAM

The Institute favors the formulation of national development programs, not urban programs and not rural programs—keyed comprehensively to a National Development Policy—and looking to the long-term best interest of the entire nation, not only the amelioration of symptomatic problems resulting from the *lack* of such policy.

The nation can be viewed as a composite of regional communities, each with its areawide planning and development organization, each with unique characteristics, problems, potentials or lack thereof. Federal programs should be designed to assist *all* regional communities to be viable units of the Nation. When programs are proposed, their impact should be weighed as to effects both on the concentrated population and on the dispersed populations. If a program proposes industrial dispersion favoring location of new industries in areas of dispersed populations, then the implications for areas of concentrated populations must be assessed. Will areas receiving specific industry benefit both socially and economically from the program? Will any irreparable damage to ecological systems result? What will be the impact of the program on areas of concentrated populations?

To date, most financial inducements for industrial dispersion are made by localities and States. *Can* such practices implement a national development policy? Why not a program of Federal inducements based, by Congress, on national policy? One such inducement might be a low discount rate on investment or operating capital by the Federal Reserve Board, by direction of Congress, for industries that locate in designated regional communities of dispersed population where Congress has determined that the national policy will be served by such action.

SPECIAL RURAL REVENUE SHARING (S. 1612)

The following comments are made with respect to specific aspects noted in S. 1612.

The term "rural area" as defined in S. 1612 may leave some counties in neither the rural nor the metropolitan county classification. Consequently, if the term must be used, "rural area" should be defined those counties outside of SMSA's.

The definition of "State Development Planning System" is predicated on multijurisdictional planning districts. The Institute favors the establishment of such districts and also advocates that a county should be a member of only one multijurisdictional planning district. We also advocate that characteristics of membership, the duties and authorities of the district *should be set forth in state enabling legislation*. Only when state enabling legislation is lacking should the Governor be called upon to establish their membership, duties and authorities.

The elimination of such federally sponsored multijurisdictional single purpose districts as the Economic Development Districts, Resource Conservation and Development Districts, etc., can go a long way to encouraging the States to establish comprehensive multijurisdictional planning agencies. Logically, such agencies can be supported by the funds made available through revenue sharing—although, here, we suggest that a more accurate (and less pejorative) term would be "bloc grants" rather than "special revenue sharing."

The Act, however, does not require that the states make available to districts a portion of available funds. If Congress in its wisdom mandates the districts on the states, it would seem appropriate also to mandate adequate financial support for the districts by the states.

The Institute has not developed a policy position with respect to Federal revenue sharing *per se*, but I believe that some considerable, and unnecessary confusion on the subject arises from the use of the term with respect to both the type of funding which you are considering here and the type referred to as general revenue sharing. This confusion has, in my opinion, deterred our membership from appreciating the advantages of the funding proposed under S. 1612.

REORGANIZATION

Regardless of the structure in which programs are placed and administered, there is need for redirection of a number of programs currently in the United States Department of Agriculture.

The Extension Service provides an informative example; in early 1970, the Administrator of the Federal Extension Service in a Memorandum to State Extension Directors stated:

> It seems essential that State USDA Rural Development Committees establish close cooperative relations with appropriate units of State government. The alternative ways in which to achieve this are left to your discretion. You may want to consider the consequences of becoming closely identified with or coordinated by State government administration. One of the great strengths of Extension in conducting its educational responsibilities as a part of the land grant university has been its objective, unbiassed approach in working directly with private industry and local people. It seems essential that Extension cooperate fully and work closely with all units of government without being controlled or allied in a formal sense with such units.

The above indicates the reluctance of Extension to recognize the reality that it must also directly serve local governments—not just the private sector of the system. It reveals what might generally be termed the "mystique" of Extension—that the maintaining of an "objective, unbiassed approach" is both desirable and requires non-alliance in any formal way with units of State and local government. It also indicates that Extension shies from assuming leadership for seeking a quality life for nonmetropolitan America. Practically, this serves to insure that the agenda of USDA agencies will only be determined internally and that only the blandest of matters will appear on such agendas. This further implies that the service potential of USDA agencies will not likely be addressed to problems with controversial ingredients no matter how important solutions to such problems may be.

In the paper on "Areawide Planning and Development" I indicated that the USDA has failed to respond to the task of Rural Development. This does not mean that there are not individuals in USDA dedicated to Rural Development. There are a number and they are generally frustrated as the top echelon of the Department has not committed itself to elevating Rural Development on the program agenda.

The situation is somewhat parallel to the attitude found in the Bureau of Public Roads and State Highway Departments in the 40's and 50's on urban transportation problems. A few were concerned, but their concerns were like voices lost in the wilderness. The failure of the State delivery systems (the highway departments) to respond to urban needs resulted in Congress mandating comprehensive, cooperative and coordinated urban transportation planning for our urbanized areas in the Federal Aid Highway Act of 1962.

Mr. Chairman, it may now be time for the Congress to mandate the role of Rural Development for the Department of Agriculture.

It is my understanding that for the past forty years the number one agenda item for rural policy has been commodity programs: price supports, production controls, and payments for major crops.

Commodity programs are only a part of nonmetropolitan America. People, land and water make up nonmetropolitan America. What is done with these determines the future.

In conclusion I wish to reiterate that the Institute favors a national development policy. We believe the areawide planning and development organization is the means to provide effective service to local governments on the one hand, and on the other to provide linkages between local governments and State and Federal Agencies.

Mr. Chairman, the Institute believes that through the efforts of this Committee, the Congress will elevate Rural Development to a position of priority.

AREAWIDE PLANNING AND DEVELOPMENT

The term areawide planning and development for the purpose of this paper relates to multi-governmental efforts. Normally, the term connotes a multicounty approach. An areawide planning and development organization may be a subarea of a State or it may consist of parts of two or more States.

Areawide planning and development may be concerned with areas of concentrated populations, as the Standard Metropolitan Statistical Area, or it may be concerned with areas of dispersed populations that may consist of several counties with no city over 10,000 or 20,000 population—or it may refer to areas that include both the concentrated and dispersed populations.

The need for areawide planning has been recognized for nearly a half century. One of the first efforts at planning for an area of concentrated population was the work of the Committee on the Plan of New York and its Environs which was established in 1922 with the support of the Russell Sage Foundation. This Committee was voluntary in nature but assisted by a staff of technical advisors and planners. The Committee undertook the planning of a region comprising at that time an area of 5,528 square miles, lying in three states and including about 400 organized communities of which New York City was the center.

In 1925, the Niagara Frontier Planning Board was established under a special statute of the New York legislature. So far as I can determine, it was the first official planning body of its kind established by State law. The Niagara Frontier consisted of the entire counties of Erie (Buffalo the dominant City) and Niagara. The planning board consisted of the mayors of six of the cities in the region and three representatives from each of the Board of Supervisors of Niagara and Erie Counties.

In 1926, the "Report of the Commission and Regional Planning" to Governor Alfred E. Smith of the State of New York had this to say:

"Regional planning asks not how wide an area can be brought under the aegis of the metropolis, but how the population and civic facilities can be distributed so as to promote and stimulate a vivid creative life throughout a whole region—a region being any geographic area that possesses a certain unity of climate, soil vegetation, industry and culture. The regionalist attempts to plan such an area so that all its sites and resources, from forest to city, from highland to water level, may be soundly developed, and so that the population will be distributed so as to utilize, rather than to nullify or destroy its natural advantages. It sees people, industry, and the land as a single unit. Instead of trying, by one desperate dodge or another, to make life a little more tolerable in the congested centers, it attempts to determine what sort of equipment will be needed for the new centers. It does not aim at urbanizing automatically the whole available countryside; it aims equally at ruralizing the stony wastes of our cities.

The conservation and the future development of the resources of a region to the end that an economic gain may not involve inevitable social loss, require the preservation of all existing natural values both of the country and of the city. This does not mean the complete subordination of county to urban influence. It demands for the time being at least, the retention by local governments of all the powers which they now enjoy. But it further requires experience in cooperation and authority to act in concert with local governments."

More than 40 years have transpired and the concept of regional or areawide planning as just quoted is still an acceptable concept today.

Since the end of World War II, the federal system of government in the United States has been experiencing increasing stress and scrutiny as a result of expanding national domestic programs and conflicting responsibilities among the governmental participants in the system—the Federal, State and local governments. Experience during this period of time suggests that local governments, in both the urban and rural areas of the nation, are inappropriately organized to respond to needs that transcend local governmental boundaries.

The need, and the urgency, for a national program to achieve the objective of making program coordination operationally meaningful has been cogently expressed in the report, *Making Federalism Work*, published by the Brookings Institution. This report forcefully argues for the absolute necessity of establishing, in both "urban" and "countryside" areas of the nation, a "universal system of multicounty agencies with responsibilities both for planning and for facilitating action programs covering the entire range of community activities relating to economic and community development." The report, however, avoids suggesting the specific operational format and procedures for implementing the general recommendation, largely, it would appear, because, as the authors state, "we begin with a basic suspicion of model-building. The preceding pages [of the report] are strewn with the debris of broken models—[which] foundered because, among other reasons, they could not be fitted uniformly to the diversity of

American communities—not alone the physical difference among communities but, what is even more important for model-building, the institutional diversity."

In effect, the Brookings report tacitly leaves the responsibility for structuring the desirable operational framework and mode to the several states, presumably with the acquiescence of both local communities and Federal agencies.

The objective, then, is to formulate a specific format and operating mode, based on a concept of multicounty groupings, to establish a basis for accomplishing the general purposes suggested in the Brookings report (and subsequently supported by a number of comments and institutional rearrangements sponsored by the President.)

From the 1920's to well after World War II, most multicounty planning agencies were metropolitan in character dealing with problems of concentrated populations. Their numbers were few. With the passage of the Housing Act of 1954, there was an accelerated interest in metropolitan areawide planning as it was eligible for grant assistance under Section 701. A stimulus to non-metropolitan planning was the inclusion in the Housing Act of 1968 of grants for nonmetropolitan agencies.

Since the mid 1950's, Federal programs have resulted in a proliferation of multicounty organizations. The Department of Agriculture with Rural Conservation and Development Districts, the Economic Development Administration with economic development districts, the regional health planning program of HEW, the law enforcement and criminal justice program of the Department of Justice, and the emphasis of the Appalachia Regional Commission on sub-area planning, are examples of Federal programs requiring a multicounty approach. Many of these programs have resulted in the establishment of single function multicounty agencies instead of comprehensive planning agencies handling several functions.

In Georgia, the multicounty planning and development organizations, some of which have been in operation a decade or more, have assimilated a number of the single purpose programs into their operation, thus making their operations more comprehensive in nature.

In Arkansas, the State was the first to be covered entirely by economic development districts that received funding from the Economic Development Administration. In 1969, the General Assembly of the State of Arkansas adopted Act 118 which made the economic development districts statutory planning and development districts. This Act transformed the eight districts from single purpose organizations to comprehensive planning and development organizations.

Both the States of Georgia and Arkansas have made available State funds on a local matching basis with no strings attached to the multicounty organizations. The maximum State aid in Georgia for each district is $50,000 and in Arkansas $30,000.

In Oregon, the State Planning Agency assigns some staff personnel to the regional organizations.

The Metropolitan Council of the Twin Cities Area, an agency that includes Minneapolis-St. Paul and five counties, is supported by a special tax. The Metropolitan Council is a creature of the Minnesota legislature to which it reports every other year. The members of the Metropolitan Council are appointed by the Governor but on a district basis. The Metropolitan Council represents an evolution from a plan-making body to an agency that has an active role in plan implementation. One of the features of the Metropolitan Councils authority is that it not only reviews long term plans of special purpose districts but also may approve or suspend all or part of these plans. It is not a review and comment procedure like the A-95 review. The Metropolitan Council appoints the Metropolitan Sewer Board, prepares its overall comprehensive plans, and approves the Boards yearly capital budget. Thus the Metropolitan Council has some clout in controlling areawide development.

In considering the specific structure for a multicounty agency, I noted previously that the first efforts in New York State had no common denominator. The Niagara Frontier Planning Board was a statutory agency with only elected officials on the Board while the Committee on the Plan of New York and its environs was a non-statutory agency with predominantly citizen members.

The Advisory Commission on Intergovernmental Relations in its publication "Metropolitan Councils of Government" stated that the cooperation movement among elected officials began in the Detroit area in 1954 which resulted in the creation of the Supervisors Inter-County Committee. This date can be accepted as the date for the post World War II movement toward intergovernmental cooperation.

What I am infering historically is that we have apparently re-invented the wheel. There was an understanding of the need for regionalism and the mechanisms to carry it out in the 1920's. We failed to listen and follow the directions of the early pioneers and today with our more complex society we find we must again look to joint efforts to solve problems that transcend local political jurisdictions.

What should be the nature of multicounty organizations?

I would like to suggest a few characteristics:

1. They should be statutory entities granted areawide planning and development responsibilities.

2. They should cover the entire State. Provision should be made for realignment of counties without State legislative approval.

3. County membership mandatory, municipal membership optional.

4. The governing body should consist of elected and appointed officials.

5. The multicounty organizations should receive state appropriated funds on a local matching formula.

6. Multicounty organizations should be the mechanism for undertaking or administering Federal and State programs requiring a regional approach.

7. They should have the authority to assist local governments through provision of services and technical assistance.

Alabama, like most states in the southern region of the country, has much of its land area outside of the SMSA counties. The dispersed populations have as great or greater a need for coordinated planning and development as do the areas with concentrated populations.

I would like to dwell on the need for creation of multicounty organizations that are concerned in a comprehensive way with the needs of dispersed populations. These organizations should be comprehensive in their program approach and should have as their concerns at least the following:

1. Treating the problems of cultural and economic lag, poverty, and underemployment more comprehensively.

2. Reversing the trends of impulsive migration and uninhibited growth of major urban centers which create social disorganization in receiving areas and forced retrenchment in provision of vital services and facilities in the sending areas.

3. Providing for more effective group action to achieve a wider range of, and a better balance in, decisions about the kind of environment in which people want to live and work.

4. Encouraging intergovernmental cooperation in the delivery of governmental services, and citizen participation in evaluating and understanding issues and problems in connection with such services.

5. Encouraging the wise and balanced use of land and water resources.

These multicounty organizations should have the following organizational and operational prerequisites:

1. Substantial in-house staff services for undertaking information, analytical, policy-making, and coordinative activities.

2. Strong identification of multicounty organization and staff as local institution device—induced both by posture of staff with respect to "external" agencies and by extensive involvement of local officials and citizens in formulation of programs.

3. Ability to integrate available staff services from a variety of community-based organizations into an overall multicounty technical-service system.

4. Ability to formulate plans and programs for multicounty development needs with full knowledge of State and Federal assistance program constraints, but keyed to community needs, not simply opportunistic local implementation of State and Federal objectives.

5. Avoidance of direct involvement by the multicounty agency staff in administration of local service programs—except to provide supplemental technical services on call from, and at the direction of, local officials who are legally responsible for such programs (providing, in effect, a regional civil service manpower pool,) and to provide assistance to local officials in establishing inter-local service agreements [illegible] organizations for specific purposes.

In connection [illegible] role of multicounty organizations, there will exist need for expertise in a [illegible] of functional areas.

The President's Task Force on Rural Development in its report of March 1970 stated what it believed rural development to be. One can talk about eliminating low income, undertaking people programs, efforts to lift up those in greatest need, job creation, local initiative, quality of life, industrial opportunity and the like—and as long as one talks about these to individuals, and to local governmental officials, not much is going to be accomplished.

About two weeks ago I attended a meeting sponsored by one of the Arkansas Planning and Development Districts for municipal officials from cities in a seven-county area. The seven counties have 33 incorporations, of which 21 are under 400 population and only one falls in the 5,000 to 10,000 population class. Each individual at that meeting, I am sure, would subscribe to the Task Force's concept of what Rural Development is. But it is pitiful to hear firsthand their helplessness as individual communities. It was obvious that the staff of the planning and development district offered their only hope for attention to many of their problems. The attention the staff can provide, is not only for a single community situation—but also on an areawide base.

What troubles me about the Task Force Report is that it does not recognize that Rural Development must call for a new mechanism between local and State governments. A mechanism that cannot only bring to the attention of local government opportunity for Federal and State aid, but also can provide the necessary professional and technical expertise and follow-through. In addition, the mechanism must be in position to look at problems and opportunities on a comprehensive areawide basis. The Rural Area Redevelopment program (RAD) could not achieve most of its objective because such a mechanism was lacking.

I fear the same will be true of the efforts of the USDA sponsored State Rural Development Committees unless the constituent agencies are willing to join together and make a coordinated effort at making available their services and programs through areawide mechanisms.

The use of multicounty administrative units—coterminous with areawide planning units—offers a sound approach to efficient and effective delivery of USDA services and programs. The USDA, in my opinion, should abandon the county as a basis for delivery of its programs, as it is uneconomic—and with todays modern communication and transportation, physical proximity is no longer a prime requisite.

For example, a ten-county cooperative extension district might result in a substantial reduction of agricultural agents. Instead of one agricultural agent for each of ten counties, there may be need for only three or four to serve the ten-county area. Instead of ten relatively low-paid agricultural agents, there would be a much lesser number of well-paid agents. In addition, the funds released in reducing the number of agents will permit its utilization for specialists in the functional areas previously mentioned.

The USDA has not yet faced up to the need for an integrated multicounty delivery system, and the need to coordinate its efforts in rural development with those of planning and development districts. There is need to work out the means for coordination and delivery of services.

I might add that the Land Grant Colleges that are responsible for the development of policies pertaining to the Cooperative Extension Service in nearly all States have shown little inclination to revaluate their mission and role in rural development.

The USDA does not stand alone in its lack of response in being a participant in multicounty planning and development.

In conclusion, the multicounty organization can be looked upon as a mechanism that can achieve specific purposes.

1. The organization can provide more effective interface between local governments and State and Federal agencies. It can provide administrative and communication channels between the various levels.
2. It can provide a mechanism for policy determination on a region-wide scale.
3. It can provide a mechanism to permit coordination and cooperation on inter-regional problems.
4. It can serve as a mechanism to provide services and technical assistance to local units of government.
5. The multicounty organization can provide a mechanism to achieve joint action. It permits a united front in support of area objectives. The whole acting in concert, may have a greater impact than the individual parts.

6. It can provide a mechanism for encouraging or sponsoring inter-local cooperation in functional areas as solid waste disposal, water supply, fire protection and the like.

The multicounty organization provides local governments with a joint voice and a means to coordinate the solutions to increasingly complex problems and opportunities of our society.

(Acknowledgement is made to Robert K. Middleton, Research Associate on the staff of the City Planning Division for his contribution in the development of this paper.)

Senator HUMPHREY. A couple of items I noted as you went along other than these you mentioned. I noticed that the institute has not taken a position on the so-called special revenue sharing, that is, as an institute or as an organization.

Mr. BONNER. That is true. The revenue sharing proposal came out about the time we held our governmental relation policy planning conference in late January, and consequently the membership was not in position to digest and take an official stand in regard to that area.

Senator HUMPHREY. I did note that in your prepared testimony you indicated you thought the application of the name "special revenue sharing" possibly confused, in light of the other proposal, "general revenue sharing."

Mr. BONNER. This is true. Those of us in Arkansas are quite sensitive to this because Congressman Mills makes it quite clear what his position on general revenue sharing is.

Senator HUMPHREY. I have the feeling the administration was a little bit overenthusiastic about the title of revenue sharing and decided to take what appeared or could be classified as block grants and put a new label on it. It does not change the contents of what is in the box.

I would appreciate any observations you may wish to make or offer later about the special rural revenue sharing proposal, because we are going to have that before us in this committee.

Mr. MASSONI. May I mention, Mr. Chairman, that because the proposals for revenue sharing were introduced after our policy conference, we have decided to contact all of our 6,200 members in a survey on revenue sharing, both general and special, and the results of that survey will then be the basis for the position of the institute, so we are being as democratic as possible within our own institute and will have a position for you later on.

Senator HUMPHREY. All right. Now, I want to call to the attention of the staff. The proposal made by Mr. Bonner about low discount rates being offered by the Federal Reserve Board on investment or operating capital as an inducement to industry to locate in designated regional communities as a means of dispersing population where Congress has determined that national policy will be served by such action.

I think that is a very constructive suggestion. Also, I note that you feel these federally sponsored multijurisdictional single-purpose districts might very well be put together into a comprehensive multijurisdictional planning agency.

Mr. BONNER. That is right.

Senator HUMPHREY. Rather than just having multijurisdictional single-purpose jurisdiction for economic development or resource conservation, you are suggesting that several functions might be incorporated within the same multipurpose or multijurisdictional district; is that correct?

Mr. BONNER. There are actually two voices currently or two ways this is being approached currently. One is the way the State of Arkansas has approached it in terms of making the planning and development district entities and they are ongoing functions. They do not require any action on the part of the locality to make them an effective district. Some of the other States where the Government is designing the district he cannot create the mechanism.

For example, the State of Alabama where the Governor has designated seven or eight districts, it is up to the counties to join together to create the organizations to operate those districts and it is also possible for a district to even have two or three planning organizations representing different subunits of that district. So that even there they might not be assured of the district, total district approach.

I think this is one of the dangers, perhaps, in encouraging the executive branch to establish these districts and encouraging the legislature to exercise its prerogative to see that the State is properly in districts and properly structured to carry out comprehensive programs.

Senator HUMPHREY. It might be wise for us, to think in terms of legislation that requires State legislatures to establish enabling legislation for these multipurpose districts, outlying their functions, the nature of their duties and the jurisdiction that such districts would have?

Mr. BONNER. Actually, in Arkansas we have three mechanisms to create them and they were used. We have the statute that is now on the books for the planning and development districts. Also, a joint cooperation statute which allows any combination of cities and counties to work together, and then Arkansas has passed the interstate cooperation agreement which can be used as a tool for joint action, also. It has some other drawbacks to it, but——

Senator HUMPHREY. Do the governmental units that are created out of the enactment of this legislation possess what we call corporate powers?

Mr. BONNER. No, they cannot.

Senator HUMPHREY. They cannot sue or be sued and they cannot tax?

Mr. BONNER. No; they are not like the metropolitan council of the——

Senator HUMPHREY. Twin City area?

Mr. BONNER (continuing). Twin City area. It has a more mature, let me say that there it has achieved a more mature evolution of the concept, and I do not think most States are in a position to say we are ready for that step which allows for a veto, as you know, on public projects, facilities, and so forth. This would be evolutionary, I feel.

Of course, we will be watching what Twin City does very closely. Mr. Eisener, a planner in Twin Cities, is a member of our board and has been very active in that organization.

Senator HUMPHREY. I understand the AIP does support the establishment of a nationwide system of multistate regional commissions similar to Appalachia and the title 5 commission; is that correct?

Mr. BONNER. No; I do not believe we have actually taken an official position on that; have we?

Mr. MASSONI. No.

Mr. BONNER. Again, speaking from only personal experience in terms of the Ozarks Commission, we have no evidence the Ozarks Commission has been interested in the subdistricting of the States and has done nothing to support that move. The Appalachia Commission has taken some steps and has been successful in some States, in getting response from some States to the subdistricting concept and not successful in others, I understand.

Senator HUMPHREY. Do you think it would be desirable for the Congress to incorporate into legislation language authorizing these multistate regional commissions to issue a directive encouraging these local level cooperative units?

Mr. BONNER. Yes, because as I again stated, I believe that this is the critical missing link to help local government. As I pointed out, that one district, a seven-county district with only one city of 10,000 would support a hospital and so forth, and the rest of the cities, many of them under 400 population, just indicate the need for this multijurisdiction unit with the State to serve these types of population.

Senator HUMPHREY. I would appreciate any type of memorandums that you could send us outlining how we might strengthen these multiregional commissions toward the objective you have just outlined regarding local multijurisdictional cooperation.

Mr. BONNER. Glad to work on it.

Senator HUMPHREY. If you could do that—and I want to note for the record here to have the staff to also look into it. We might want to amend or to propose amendments to the Appalachia Commission and others like that to really give some impetus to these local level multijurisdictional agencies.

I think you are right. I think this is the missing link just across the country, that is why I show this interest.

Mr. BONNER. Everything should be done to encourage the States to make a financial commitment to these districts, even if they might do some of the techniques that I understand are done in Tennessee, providing services through the municipality, of even taking it out of their turnback money to give to it.

Senator HUMPHREY. You said in Tennessee the Municipal League?

Mr. BONNER. They have a municipal technical advisory service in which the legislature proportionally appropriates 50 percent to the general revenue and then the other 50 percent from the amount the State would make available to the cities in turnback, they would remove it from that turnback fund before dividing it up, resulting in maybe a quarter of a million dollars or so. This is how the cities fund it without having to put back direct hard cash.

This might be one technique that might be used with reluctant local governments, to skim it off before they get it.

Senator HUMPHREY. In other words, you put it out there and then you take it back?

Mr. BONNER. But give them a service facility with probably greater payoff for the dollar than if they had used it themselves.

Senator HUMPHREY. You are familiar with the 701 planning grant program of HUD?

Mr. Bonner. Yes; our university administered it for the small communities for 12 years in the State agencies.

Senator Humphrey. What is your experience with the 701 planning grant program for multicounty planning areas?

Mr. Bonner. Looking at the Arkansas experience, certainly the amount of funds that are available to carry out comprehensive planning is not sufficient. In Arkansas and some of the other States I believe they are starting to use this technique which help to give more money to the districts. They say we will give you both the nonmetropolitan share and give also a share of the local planning assistance money that goes for the small community.

Then you can make up your mind as to how best to use this money and we will rely on your judgment as to what city will assist in planning instead of allowing them to come to us for that. That type of approach is being encouraged from the Federal level, but many States are not responding to it. In other words, where the districts are in operation give them the total responsibility for administration of not only the metropolitan money and encourage them to do services instead of going out and doing projects and planning.

Senator Humphrey. Do you think on balance this is a desirable program, 701 planning grant programs?

Mr. Bonner. I believe it is. All programs have had their problems. I as an administrator from State side, of course, felt that they were too project-oriented for far too long. They should have moved in to support the concept of areawide services, especially in small communities, but I believe from what I have been told by individuals in HUD that the new handbook will reflect a greater philosophy toward planning services by multicounty units.

Senator Humphrey. Do you have any idea how many States have designated or delineated multicounty planning districts within their boundaries?

Mr. Bonner. I do not have the numbers. I am aware of a number of States, but I just do not have any tabulation.

Senator Humphrey. What information could you give us and any figures, if you have them available, as to availability of various type planners and what is being done to train and retrain more planners?

Mr. Bonner. I will let the gentleman of the staff answer that.

Mr. Massoni. We would like to provide some statistics for the chairman on this question, because we have found recently a movement away from the support of planning and the status of planners in the Federal Government. In fact, if you could bear with me for a minute, there has been a very, very successful program to train graduate students to become professional planners who would work in all urban and rural programs. It is called the HUD fellowship programs for urban studies. This is very small but successful, and funded at the level of $500,000 a year. The administration has chosen to drop it from the budget this year and yet it has been an extremely successful program.

We have statistics that have shown that—90 percent of the 100 fellows graduating each year, have taken jobs in local and State government. This is one of the programs that has provided more professional planners and housing officials, transportation experts, and the like for State and local governments, and yet has been dropped from the budget. Obviously we are very concerned that the administration is moving away from programs to provide a capacity for planners at all levels of government.

Senator HUMPHREY. Send me a memo.

Mr. BONNER. One additional comment. When we look at our planning schools, most of them, unfortunately, are metropolitan-oriented. We would hope that through the further emphasis on the nonmetropolitan problem that our land-grant colleges would start to respond with training programs for people to work with these type units.

We do need a little different individual to work in the rural area, a person willing to work for not quite as much money, a person willing to stay there longer, because I think one of the keys to success of the nonmetropolitan district organization is going to be continuity of staff, this is very important. This has been one of the great strengths of the USDA Extension, that is, its continuity of staff.

Maybe what we need is somebody sort of between the county agent and our type of professionals.

Senator HUMPHREY. That is for these multicounty districts?

Mr. BONNER. Yes, a man has to live out in a town of 20,000 for the next 20 years, not the same type that wants to be director of planning for St. Louis or Minneapolis. He should not be trained the same way and he will not have the same outlook.

Our districts, even though they are relatively young, most of them have the original directors and we will probably continue with them for some years, because they did not come directly out of planning school to become directors. They were people who came in from other areas, including urban renewal and other jobs.

Senator HUMPHREY. Just one other question.

Senator Bellmon is with us here now.

Senator Bellmon, we have before us Mr. Bonner of the board of governors of the American Institute of Planners.

I noticed that you had said in your prepared testimony on page 10, Mr. Bonner, you said it is now time for Congress to mandate the role of rural development for the Department of Agriculture. Just give me a little more specifics about that and give me your judgment as to what you think the Department of Agriculture has done, how well that is done, or what you consider your evaluation of what the Department has done in rural development.

Mr. BONNER. Well, I guess I could draw a parallel as I did in the paper relative to urban transportation legislation in the forties and fifties. I had some friends in the Bureau of Public Roads in the fifties when I came into planning, and it was obvious that some of them working at both the highway department level and some working in the Bureau of Public Roads at the Federal level were concerned with urban transportation problems, but the people in the top echelon, that is some of the State highway directors or their commissioners could have cared less about devoting their resources to the study and solution of urban transportation problems. There were exceptions. It finally took Congress to pass the Federal Aid Highway Act in 1962 that mandated these comprehensive coordinated cooperative studies of the urban transportation problems.

I think the same thing is true in the USDA at this time, that there are some people who are quite concerned about rural development.

They are quite concerned themselves that many of their programs are not coordinated.

If you take a look at the Farmers Home Administration they have action programs in housing, in water, in sewer. But out in the field there is no coordination between the granting and how to apply these programs. The man who is funding housing is not concerned about where they are putting grants for water and sewer. And those administering water and sewer grants are not concerned about where housing is being put.

So you see, within even the one element of the USDA they are not coordinating adequately out in the field, and they are not, in most cases, working with the directors.

Now, in a few States the Farmers Home Administration has finally agreed to permit the areawide district groups to carry out the water and sewer plan.

In Arkansas they are negotiating to try to do this on a district basis to dovetail all these county plans into an areawide plan.

Congress may have to say to the USDA that if they do not shape up on their own, then the Congress will help by mandating some of these programs and the emphasis given to them that USDA has not given to them.

Senator HUMPHREY. What you are saying to them is we ought to spell out in more specific detail the rural development directives?

Mr. BONNER. Right. There is no rural development directive. I am conversant with the people at the university, the land-grant institution. Many of them have the same concern.

Senator HUMPHREY. I have been somewhat concerned about the lack of interest at the land-grant universities in rural development.

Mr. BONNER. It is sort of like county judges, the urban people let the county judge get elected by default and I think the land-grant institutional structure, sort of let home economics, go its own way.

Senator HUMPHREY. Well, I would hope that we might be able to get a little action at the university level on rural development.

I am on the Joint Economic Committee, and I have been rather—both amazed and upset over the testimony before that committee as to its lack of concern about agriculture or rural America. Some of the best economists in the Nation have been before that committee and, with few exceptions, no commentary whatsoever on rural America. I mean, it is all related to urban life, to the industrial life, manufacturing, services. Insofar as rural America is concerned or the nonmetropolitan area, it is practically void.

I think this indicates what is happening in our educational institutions.

My point is also verified by the lack of information in the metropolitan press, the daily press, radio, television. If you want to hear anything about agriculture you have got to get up at 6 o'clock in the morning and get the 5 a.m. news. It is really—I sometimes think maybe when we license TV stations we ought to make them all emanate or at least part of them emanate from the networks out of some part of rural America so that we get a little indoctrination as to what goes on out there.

Mr. BONNER. They have "Today on Agriculture" starting at 10 of 7 before the Today Show, so we are getting better.

Senator HUMPHREY. You are making progress.

Mr. BONNER. Thank you, Mr. Chairman.

Senator BELLMON. I have two questions.

Mr. Bonner—I think you covered part of this—you said there are about 3,000 USDA offices. There must be more than that. There must be close to 20,000 USDA offices in the country. Are you from Arkansas?

Mr. BONNER. Yes.

Senator BELLMON. How many USDA offices are there in Arkansas? Do you have any idea?

Mr. BONNER. I could not tell you the number.

Senator BELLMON. How many counties do you have, Mr. Bonner?

Mr. BONNER. Seventy-five, so there are at least 75 operating units. They have started some districts with special agents and working out of some district offices.

Senator BELLMON. Farmers Home Administration offices, do you mean?

Mr. BONNER. Soil Conservation.

Senator BELLMON. ASCS Offices?

Mr. BONNER. Yes.

Senator BELLMON. Do you know of any single instance in your State where these offices work together in the district of total rural development?

Mr. BONNER. No; there is no instance where they are working together in total rural development. In terms of our planning and development districts, they have been working closely with the districts, some more successfully than the others. This is going to be one of the major problems as we develop the multidistrict concept is how do we bring other organizations which have their own missions and functions and directives to bring to bear their expertise to solve the problem.

It is not going to be an easy thing to solve. We are addressing ourselves to this in Arkansas. We will try to work with the USDA, and with the State development committee. Whether this can be done successfully remains to be seen.

Senator BELLMON. Of course, I am from Oklahoma and it has been my observation each of these offices has a regular narrow mission and it concentrates entirely on the job of building and/or preserving soil or concentrates on running the old crop production within permitted limits of its ASCS, but none of them really see the picture and concentrate on what is happening to rural America.

My question is, Do you feel it would be possible if Congress so decided to reorient these existing agencies and turn them into an agency at the local level concerned and organized to cope with the problems of rural development, or are we going to need to find some other entity to undertake this responsibility?

Mr. BONNER. I think with some reorganization and directives within the Department of Agriculture much of this could be accomplished. But as I pointed out previously, the fact that within one organization the three action programs can go without coordination shows part of the problem—I am told is legislative, too, not all administrative. So it may be that some correction needs to be made to the actual legislative enactments.

I am not familiar enough with those in detail. I understand the legislation on agriculture is what——

Senator BELLMON. Do you think it would be possible to teach some of these old dogs some new tricks?

Mr. BONNER. Yes; because we are willing to stay with the rural people and again I reiterate, longevity, knowledge of local problems, and people may be more important than highly sophisticated programs.

Senator HUMPHREY. In other words, retraining?

Mr. BONNER. Retraining would be very probable and practical.

Senator BELLMON. I am not sure Congress has ever told these individuals they have a responsibility other than their narrow field.

Mr. BONNER. Right; that is true.

Senator HUMPHREY. Right, like with us.

Senator BELLMON. I would like to ask one additional question.

Do you have any thoughts as to what it would require, what action is required from Congress to stop, and hopefully reverse, the rural urban migration?

Mr. BONNER. We did make one suggestion in terms of perhaps allowing the Federal Reserve Board to give a lower discount rate, for example, to industry to locate or operate in the dispersed area, because, as already commented, the problem of granting special inducements to industry is that once this becomes nationwide we have no special inducements in terms of their deciding on location any more. In fact, we might be giving away by special inducement some of our tax base anyway. So maybe other techniques might be used to encourage people to come into the local areas, keep the tax base down, but encourage them from a national standpoint.

Senator BELLMON. Arkansas was one of the first States to use industrial bonds. Has this worked to the advantage or disadvantage of the local government?

Mr. BONNER. From the reports of the State they believe that it has worked to the advantage.

Senator HUMPHREY. I think we will have to let you go. Thank you very much.

We will be back to hear our next witness, Mr. Lewis.

(At this point in the hearing a short recess was taken.)

Senator HUMPHREY. Dr. Lewis, we welcome you. You are with the National Planning Association, I believe, the chief economist?

STATEMENT OF DR. WILFRED LEWIS, JR., CHIEF ECONOMIST, NATIONAL PLANNING ASSOCIATION

Mr. LEWIS. That is correct.

Senator HUMPHREY. May I just say that many is the time that I have been privileged to have the reports of the National Planning Association and always welcome them. They are very welcome, very authoritative, and well documented.

We are pleased to have you.

Mr. LEWIS. Thank you, Senator.

The National Planning Association is a nonprofit research organization.

NPA has some respectable credentials in analyzing and forecasting regional economic and demographic trends in the United States. We are also doing a survey of recent research in the field of population distribution. However, NPA does not at this time have any official institutional views or opinions on population policy. I am, therefore, speaking only for myself today.

Americans have been moving from countryside to city and from city to suburbs for many decades now. Since the best educated and economically most active members of society are the ones most inclined to move, rural areas and small towns over large regions of the country are left with populations relatively more in need of public service (because of age or poverty) while the local tax base is shrinking.

At the same time, our largest cities seem plagued by poverty, crime, congestion, and pollution. It is understandable, therefore, that attention is being given to the possibility of designing more balanced patterns of national growth. It is by no means obvious, however, that we have yet discovered the right policies, or even that we are about to discover them. In fact, I am not sure that the right questions are being asked. Before making a few positive suggestions, let me run down a few points that should be kept in mind, some of them very obvious, others perhaps less so, and this is one of the more obvious ones.

1. It is clear that, so long as the number of farmers required to feed the United States and export markets continue to decline, the U.S. population will continue to become increasingly urbanized. This is not due to failure by agriculture. Rather, it is due to their outstanding success.

Agricultural productivity has increased much more rapidly than that in the average industries in the United States, and the alternative from that is that we need fewer and fewer farmers to feed our own population and meet our export commitments.

2. It is not the largest cities that are growing. U.S. population growth is concerned in medium-sized cities and in the suburban fringes of the large cities.

3. Any policies which artifically raise the rate of growth of some cities must by the same token artificially reduce the rate of growth of other cities, and while there are many places that have more social problems than they want, I know of no city that thinks it has too many jobs or too much income.

4. The problems that we associate with large cities—crime, poverty, congestion, pollution—are problems of crime, poverty, congestion, and pollution, not population problems. We can and must attack areas, and lems directly wherever they exist, in either rural or urban areas, and attempting to move people around or redirect growth is a crude, indirect, inefficient, and probably ineffective way to attack these problems.

If we concentrate on stimulating growth elsewhere, then I think that attempting to move people around will probably leave the cities with the same problems they have now, and fewer jobs and lower incomes than they would otherwise have.

5. The pattern of population growth we experience is the result of location decisions made by millions of individual firms and people, all of whom at least hope to better their condition by moving, and

most of whom probably do. Of course, private and social costs and benefits may not coincide if some of the costs of moving are borne by society rather than the private parties doing the moving.

Pollution and congestion are examples of external costs which are thought by some to result from excessive urbanization—for example, urban immigrants impose on other members of society some of the costs of moving. Most economists recommend trying to put external costs like pollution and congestion back onto the parties causing them, for this would lead to a closer correspondence of private and social costs and benefits, and this in turn would help create a situation where private decisions would be much more likely to lead to a socially optimum pattern of population distribution.

6. Putting pollution and congestion costs back on the parties causing them would lead to a more socially optimum pattern of population distribution, but it is not clear that this would retard the rate of growth of large urban areas. On the contrary, it might have the reverse effect. The reason for this is that such unpleasant aspects of urban life do tend to raise the rate of salaries and wages that must be offered to get people to take city jobs and this in turn raises business costs compared to more pleasant environments and discourages firms from locating in cities or even in the case of New York City encourages them to leave at a fairly rapid rate.

If we charged polluters for the pollution costs they now impose on the society, we would reduce pollution greatly and drive the more highly polluting industries out of the city altogether. This would tend to reduce jobs in those industries, but after the relative wage effects take place, may tend to provide a more than offsetting increase in jobs in other cleaner industries, and hence in population.

7. The evidence on cost of providing public services in cities of different sizes is far from clear. Large cities spend more. But part of this is higher workloads that happen to be located in those cities not caused by city size, and another part of the difference is greater quantities and higher quality of public service, not higher cost.

To state that a little differently, welfare recipients in New York City live better than welfare recipients in other places.

Senator HUMPHREY. You really believe that?

Mr. LEWIS. I think we have a higher taste for public service, yes, sir, in inner cities.

Senator HUMPHREY. We will come back to you a little later.

Mr. LEWIS. New Yorkers have more expensive tastes; it is not all just difference in cost.

No one to my knowledge has attempted to calculate with any care the part, if any, which is higher cost.

8. People are not all alike, and differ greatly in their tastes and preferences. It is unlikely that there is one kind of environment that would appeal to everyone. This raises a serious question in my mind about the right of Government to take over location decisions that are now made privately. It seems to me that Government policy should mains open, and that people are assisted in rather than hindered from
It is not an open and shut case even in the direction of effect in this
relocating to environments they would personally prefer.

However, such a policy I hasten to add should be coupled with a policy of putting external costs like pollution and congestion back on the private parties who are making location choices now without confronting some of the important costs that they generate.

9. There is considerable evidence that most urban places of less than 50,000 population that are not close to other larger cities are going to continue to stagnate or decline in population rather than reach a point where their growth would begin to accelerate, and that it would be very, very expensive to attempt to reverse the powerful natural forces that are causing this. Of course, if enough money were available, we could create another New York City in the middle of the desert.

Taxpayers might legitimately complain about the wisdom of such a strategy, however.

Senator Humphrey. We would not want to do that.

Mr. Lewis. Since most small towns are likely to decline in population anyway, and since this causes serious fiscal imbalances between tax base and requirements for social services in those areas, a strong case can be made for Federal aid to help such towns "die gracefully," as someone has put it; that is, a larger Federal contribution to welfare and other public service costs, aids to outmigration, and greater efforts to train local residents in skills they can successfully market in larger urban places.

10. A final problem deserves mention. Even if we could reach a national concensus on a more desirable pattern of growth than the one that seems to be taking place anyway, it is far from clear what policies there are that we could afford that would bring about the target pattern.

The tax subsidies and industrial development aid that many states have used may have attracted some industries, but who can say what size cities in what region of the country those industries would have gone to in the absence of those incentives? Higher levels of welfare benefits in the large cities are thought by some to attract migrants from the countryside, but other analysts think raising welfare levels in rural areas would stimulate rather than regard outmigration.

It is not an open and shut case even in the direction of effect in this case.

I apologize for raising so many problems, and offering so few answers. I only enter a plea that this is a very complex question in which the forces at work are not entirely what they appear to be on the surface.

I would also urge that people are more important than places—that we should address our policies to making people better off wherever we find them, both in rural and urban areas. If we do that, do we really need to worry so much about where they choose to live?

Thank you.

Senator Humphrey. Before I make a comment in reference to—a critical analysis of your statement, let me say I thoroughly agree with your statement. It seems to me Government policy should rather aim to insure the greatest possible variety of sources remain open, that people are assisted rather than hindered from relocating to environments they prefer. That part of your statement I think is very constructive, but I think all the other part of your statement contradicts what you have said here.

Then the last part; that is, we should address our policies to making people better off where we find them in both rural and urban areas; in other words, do we really need to worry about where they choose to live?

I think it is clear we do not want any compulsion, but I do think there is some evidence that relates, for example, to space and population and living conditions. I mean, the amount of physical space, air space, walking space, transportation space, and the health of the people and possibly their happiness. Individuals have different tastes, as you put it.

You have a statement here that touches on the cost of providing public services in cities of different sizes. However, it is far from clear. We have had testimony here giving specifics. There is a good deal of evidence that the cost of educational services in the metropolitan area the size of New York is much higher and not necessarily better education than you would get in Dubuque, Iowa, and the cost of police service in metropolitan New York or Philadelphia much higher than you would find in Rochester, Minn.

I believe there are differentials. That does not mean people want to live in Rochester or Dubuque. I am talking per capita costs, too.

Mr. LEWIS. Part of the problem is these big cities are working with much tougher customers. They, too, in fact spend more per person to educate and they may not have as good an output at the end of the process, but it seems to me that is no critique of the city; that is, if you took those same people and spread them out in another area you would have the same educational problem.

Senator BELLMON. Mr. Chairman, may I interject?

Senator HUMPHREY. Yes.

Senator BELLMON. Where do these tougher customers come from? Didn't a lot of them come from rural areas?

Mr. LEWIS. I think the ones that are probably the toughest customers for the educational institutions, yes, are recent migrants from the rural areas.

Senator BELLMON. Why does it cost so much more to take care of them in an urban setting than it does in a rural area?

Mr. LEWIS. Is it clear that they were getting the same educational services in the area they came from, sir? I really do not know that there has been a really careful study of that. We have impressions, but I think a lot of the people who move from rural districts, the rural South to large cities think even after they have made the move, and in spite of all the problems that we are very conscious of in the cities, they are better off. It might be worthwhile asking them sometime.

Senator HUMPHREY. I think that there is a great deal of room for improvement of educational facilities, for example, and health facilities in rural areas.

What we are hoping to find is that if you update and modernize services in rural areas, medical services, health services, transportation services, cultural facilities, recreational facilities, that you start to give people real choices.

I am not one that thinks that the city is all bad. To the contrary, there are many parts of the city that are very beautiful and worthwhile. But I do believe there is some evidence that indicates that there are optimum populations, population sizes.

When you crowd—as somebody pointed out there not long ago—that if the other four boroughs of New York City had the same density population as Harlem all 200 million Americans could be put in those other four boroughs. You cannot live a happy, constructive life with that kind of population density.

I think it is pretty well known that no matter how much welfare you put in, it does not necessarily lead to happiness—I mean, even to health, even to jobs.

Your point No. 9 is that there is considerable evidence that most urban places of less than 50,000 population that are not close to other large cities are going to continue to stagnate or decline in population. What evidence do you have? I have read recent reports that these sized cities are the ones that are growing.

Mr. LEWIS. Less than 50?

Senator HUMPHREY. Considerable evidence——

Mr. LEWIS. I think rapid growth is——

Senator HUMPHREY (continuing). Of less than 50,000 population, yes. Let us take a city of 25,000. Do you think it has stagnated? Do you think Saint Cloud, Minn., has stagnated, Mankota, Minn., La-Crosse, Wis.?

Mr. LEWIS. Sir, I do not carry the statistics around with me, but this is something on which the statistics are not yet available and there has been a substantial amount of investigation on the conditions under which cities of different sizes tend to grow more or less rapidly, that is, on what relationship they bear to other larger urban places.

The places that are less than 50,000 people that are growing rapidly are by and large ones within the commuting orbit of other larger urban places.

Senator HUMPHREY. I saw a report in the U.S. News & World Report where there were certain economists and demographers that were advising the Government that their attention should be applied to cities of 200,000 or over, stating that Federal aids made available to cities under that were not productive and would not be of much help. I saw that statement about dying gracefully. That goes over like a lead balloon. Why should Marshall, Minn., which is a damn sight better city than most places I have been in, die gracefully or have a Federal policy that would indicate it should die gracefully? What is this nonsense about dying gracefully?

Mr. LEWIS. I do not know that this policy would fit any particular city that you would pick out. I am sure that every community has its own special character and problems. But a lot of these small places I think have been stagnant for some time, and most of the people in them know that. The younger people will have left for the city by and large, the population tends to be aged, and it does tend to be a high per capita requirement for social services.

Senator HUMPHREY. What size town are you talking about?

Mr. LEWIS. Well, I am talking about a lot of towns in this size range of under 50,000.

Senator HUMPHREY. You just have not been around. Can I just be very frank with you. If they are in trouble then there are policies that ought to be activated that will get them out of trouble. My goodness, are you going to tell me—I have been around this country a great deal, some of the most beautiful communities in America are towns of

20,000, 25,000, 35,000, 15,000, 10,000, beautiful places where they have industries. What they need is more.

What I am worried about is not that they are in trouble, a lot of towns are in trouble, but that they should die gracefully.

Are you advocating Federal policy that would permit them to die on the vine?

Mr. **Lewis**. What I am advocating, Senator, if we focus on the people in those places it is not at all clear to me that we help them best by trying to make each and every one of those places a booming metropolis.

Senator **Humphrey**. No, no, just good living conditions.

Mr. **Lewis**. It might very well help them by giving an additional level of support over and above what the local tax base does. For example, let us say we give welfare payments for retired members of the community, and we help the younger members of the community by giving them the skills which they can market and obtain higher wages elsewhere.

Senator **Humphrey**. Of course we want skills, of course we want training and good welfare benefits and social security. But are you telling me that a person, if he gets a marketable skill, that you cannot have an industry within the area that can utilize that skill? Are you telling me that a worker in New York is paid what he is paid is better off than a worker in Mankato, Minn.? I just do not believe it.

I guess we have to cast a vote. We will be back again shortly.

(At this point in the hearing a short recess was taken.)

Senator **Bellmon**. Mr. Lewis, Chairman Humphrey is detained on the phone. He asked me to go ahead and continue the hearings until he returns.

I would like to continue a few questions the chairman has asked you regarding your statement on page 4 about the policy of putting external costs like pollution and congestion back on the private parties. I am curious in your analysis of costs of government and cities as related to costs in the rural areas of the smaller towns whether you consider the fact that many of the costs of urban centers, for instance, here in Washington, are borne by the Federal Treasury.

For instance, we are building here now, as you know, a mass transit system, some 90 miles, that is going to cost about $2 billion. The cost of this has been borne by the Federal Treasury.

Do you consider those kinds of matters when we are comparing costs of services between smaller cities and the urban centers?

Mr. **Lewis**. Well, I think the costs of something like transportation, unless you can show that it generates social benefits, is something that society at large will have to pay for.

Senator **Bellmon**. You say society at large will pay for?

Mr. **Lewis**. I say unless you can show that a system like a subway generates some diverse benefit, unless that is the case, I think the costs of transportation ought to be borne ultimately by the people using it. This would be a consistent policy. If we have to have a subway to get around the city, that is the cost of congestion, and that ought to be paid for by subway users.

Senator **Bellmon**. You would recommend Congress not appropriate money for these mass transit systems?

Mr. **Lewis**. I think one can make a distinction between repayable advances and outright permanent subsidies. That is, it is very hard for any one locality to accumulate the capital necessary for large social investments. I do not think our capital markets are that perfect. I could see a case for a Treasury loan to get the thing started, but I do think those costs ought ultimately to be paid by the people using the system. Otherwise, you would have a national policy of encouraging people to move to the city, and hiding some of the costs of that move from them. I would be as opposed to that as I would the opposite of not encouraging them to move.

Senator **Bellmon.** But for many years it has been the national policy to furnish Federal support for mass transit systems and urban welfare programs and for urban airports and many other facilities that you are saying now should be borne by the local citizens; have we been wrong?

Mr. **Lewis.** To some extent. In the case of urban mass transit, the Federal Government is only redeeming the mistakes it generated a decade or two ago when it decided particularly through its housing programs and its highway programs to encourage people to move to the suburbs. In that way, it managed to mess up the economic life of these large cities to a very large extent. A lot of what we call urban problems are—but by no means all of them—consequences of Federal Government intervention into the economic configuration of these urban areas a decade or two ago.

Senator **Bellmon.** You mean to say if we had not had some of the Federal housing programs and urban renewal that we would not have suburbs?

Mr. **Lewis.** I think we would not be having this unplanned, sprawling, enormous suburban configuration that surrounds large cities, yes, sir.

Senator **Bellmon.** Are we in the process of spending vast sums of Federal money to preserve a living system or living pattern that in your judgment is not viable? Should we not build a mass transit system that makes it possible for the movement of people to the suburbs to continue?

Mr. **Lewis.** Well, it is not clear to me that the effect of an urban mass transit system would be to encourage suburbanization. The effect might be to slow down the rate of suburbanization or at least suburban sprawl—the automobile kind of suburban sprawl that we have now. It might very well change the pattern of urban growth from sprawling in all directions to sprawling in certain transportation corridors, if you will.

Senator **Bellmon.** It strikes me there is a feature we are overlooking, and that is that there should be some thought given, and perhaps the Federal Government should take some responsibility for helping individuals to live in an environment that contributes to their maximum production capacity. In other words, this idea of having the people working in Manhattan and live in Connecticut and New Jersey and spend an hour and a half each way on a mass transit conveyance to me is questionable, with modern communications and the transportation facilities we have.

I am not sure that many of those jobs could not be performed in some of the small communities you have just said ought to be allowed to die gracefully.

Mr. **Lewis**. I think a great many firms importing that work would agree with you. As you know, they are leaving Manhattan for the countryside and many other places.

One of the things that has happened very noticeably in the last decade is the movement very far away from the large eastern cities of the home offices of many companies. American Express has its national office in Phoenix, Ariz. A number of the publishing companies have moved to places like Boulder, Colo. So a lot of the movement of the kind that you seem to be recommending is already taking place, and I do not want my remarks to be misinterpreted here.

I am not for or against one or another kind of place. What I am saying is that we ought to concern ourselves with people rather than places, and if we do that then the places will look out for themselves. It takes time for these adjustments to take place.

I do think that people making location changes, so long as we are not hiding some of the costs and benefits of the move from them, are better able to bring us to a socially optimum pattern than by plastering a map on the wall and as a matter of government policy saying wouldn't it be nicer to have this configuration rather than that. It is like planning a national economy; it is something that is infinitely complex and I think it defies the ability of planners and economists to just draw an optimum.

In the case of the national economy, we have decided as far as possible to let the private decisionmakers respond to the costs and benefits and see what gets produced.

Senator **Bellmon**. Mr. Chairman, that is all.

Senator **Humphrey**. I am going to thank the witness. We are going to recess the hearing. The next witness has accomodated us.

We will meet in room 324, Old Senate Office Building, that is the Committee on Agriculture and Forestry, its regular room. It is a little closer to the Senate floor and it will save us a little time.

We will see you there at 2 o'clock.

Thank you very much. Thank you.

(Whereupon, at 12:30 p.m. the subcommittee recessed, to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

Senator **Bellmon**. The chairman has been detained and has asked that I go ahead and convene the hearing.

We will call our first witness, Mr. Herbert J. Bingham, executive secretary of the Tennessee Municipal League for the National League of Cities and the U.S. Conference of Mayors.

STATEMENT OF HERBERT J. BINGHAM, EXECUTIVE SECRETARY, TENNESSEE MUNICIPAL LEAGUE, NASHVILLE, TENN., REPRESENTING THE NATIONAL LEAGUE OF CITIES AND THE U.S. CONFERENCE OF MAYORS

Mr. **Bingham**. Mr. Chairman, I am privileged to testify on behalf of the National League of Cities and the U.S. Conference of Mayors. They present a united front in behalf of the development of national growth policy because their members consist of municipalities in 40 States ranging from villages to the larger cities. One reason for this solidarity arises from the vision our leaders in municipal governments have as to what our Nation will be like in 30 years from now if another 100 million more Americans flood the metropolis, while rural smalltown America reverts to an abandoned wasteland.

Our image of the future is certainly not improved by the prospect of locating this growing horde of urbanites in the same type of sprawling no man's land of unplanned and poorly served new urban development which for 25 years has been spreading out across the hinterlands of urban centers of every size.

The league and the conference are encouraged that this new subcommittee, under its chairman's energetic leadership, is pressing forward to implement title IX of the Agriculture Act of 1970. As the old urban cities falter, and they are faltering, there is an imperative and widely accepted need to formulate new programs and improve old ones to insure maximum development of our rural areas.

At is annual meeting earlier this week, the Conference of Mayors resolved that the Domestic Affairs Council and the President should demonstrate a greater sense of urgency in fulfilling title VII of the Housing and Urban Development Act of 1970 mandating that they recommend to Congress a national urban growth policy.

Also, the mayors suggest that Congress refrain from enacting piecemeal legislation affecting elements of national growth policy until the administration's report is submitted.

The urbanization of nonmetropolitan areas has for some 15 years been a recognized aspect of rural development attracting major attention and resources of the National Government, even the Department of Agriculture.

Political realities recommend that the Congress and State legislative bodies give unified consideration wherever possible to all of the four major segments involved in the urbanization process—the metropolitan central city, the builtup suburban community of today, these cornfields and wooden hillsides that will soon be the suburbs of tomorrow, and the small urban center of various sizes in so-called rural areas of our Nation. This is why a fragmented approach in the Congress alarms all who hope for truly significant Federal urbanization programs.

This is why our two organizations of municipal officers view with deep concern the splitting of so-called special revenue sharing for urban programs into a special urban development fund for standard metropolitan statistical areas with priority for cities above 50,000 and a separate rural development fund and program for municipal and county governments in nonmetropolitan areas.

Why not one fund for areas of all sizes? Is it not better to continue an urban renewal, open space or a water and sewer program for urban communities of all sizes everywhere? The so-called general revenue sharing advocated by the National League of Cities and the U.S. Conference of Mayors would provide a share of these additional Federal moneys for urban communities of all sizes in both metropolitan and rural areas.

Is it not sound political and legislative strategy and just good public administration to limit separate and specialized programs to deal with specialized conditions? Anyone can understand for example, why New York City needs more funds for law enforcement when its per capita cost of policing is 10 times that of even the largest cities of my own State. It is understandable, on the other side, why rural areas really need the type of additional Federal grants and loans provided by EDA for industrial parks and basic water, sewer and transportation facilities to serve industry.

The realities of public finance are that the older urban areas, especially the central cities, particularly have extraordinary costs for social services and physical renewal while newly urbanizing suburbs and growing rural area urban centers experience enormous costs for installing and upgrading utilities, schools, transportation, and other physical facilities to support urbanization.

It is no mystery at all as to what resources and programs must be provided to urbanize and develop the rural areas of our country. We must deal with these components: economic and industrial, human and social welfare, and physical planning, and public facilities.

To maximize industrial and other economic development in small urban communities requires a set of tools which has been amply treated and demonstrated by such Federal agencies as EDA, SBA, USDA and others. These include services and financial incentives to investment in production facilities such as tax credits, below market interest rate loans, the subsidy of public facilities to service industrial and tourist sites, provision of specialized job training services, improving transportation facilities as in the Appalachian regional program, deliberate vocational choices in governmental procurement and facilities, technical assistance and services to business and local development groups, Federal program coordination with State and local efforts—to mention some of the more important ones. The sponsorship of formal and thorough economic development planning in localized areas, as in the EDA program, introduces scientific knowledge that has materially strengthened local development activities.

Until recently the availability and quality of manpower in rural areas have been severely reduced by the enormous attraction of large urban centers. There is now a favorable rural balance in this indefinable longing deep in the human heart. Again, we know how to provide many of the essentials for an adequate, skilled, and efficient labor force—tested in numerous Federal, State, and local programs for rural communities. Among the more important ones are loan guarantees and subsidies for housing, State and Federal efforts to decentralize vocational, technical, and college-level educational institutions, various manpower training programs, greater uniformity and adequacy in public assistance and welfare, hospital and health services.

In my own State in only 8 years, we have constructed 43 new State-operated area vocational, technical, and collegiate institutions within commuting distance of every section.

Finally, a Federal-municipal partnership in improved public services and facilities has been implemented in a great variety of the programs by numerous agencies. This has enabled hundreds of small urban centers throughout the country, including more than 60 in my own State, to secure federally assisted rural telephone and electric systems, airports, Hill-Burton hospitals, nursing homes, loans and grants for various types of critical public facilities including gas, water, sewage disposal, recreational facilities, community centers, and many others.

Many new scientific systems have been fostered by these Federal programs, including comprehensive planning and workable programs, urban transportation planning for large and small urban centers, economic development planning, multicounty regional planning, the development center concept of economic planning, and many fields of functional planning.

Land use planning and control systems have been fostered, ranging from zoning, subdivision regulations, highway right-of-way reservations, long-range capital budgeting to serve anticipated land uses, et cetera.

Now, to a large extent we have really perfected these methods and techniques and programs, but we need a better delivery system, both at the Federal level and the local level, and even at the State level, too.

I will not say too much about delivery system at the Federal level. There have been a number of suggestions made. We will have to improve the receiving capabilities of our local communities, and a lot can be done about this. I think that one of the new major emphases of our Federal programs should be to improve community management capabilities of all the resources which they have to utilize—Federal, State, local, public, private—in order to maximize their potential for economic development. We ought to have possibly a new federally supported management improvement program for small communities.

Senator, on July 1 we introduced in Tennessee on an experimental basis an intensified management assistance service to 18 small cities located in rural areas. They have entered into a contract with the University of Tennessee to secure certain management services. These communities will be paying for half the costs of an expert city manager, backed up by a team of expert consultants in about eight different fields, ranging from public finance to general policymaking. They are going to have available to the mayor, the city manager, city council, and department heads the finest municipal management teams in the country, ones if employed individually would cost in excess of $150,000 apiece.

Small communities need such assistance to help solve some insoluble problems they do not know what to do about. This is the sort of thing we really need in these rural communities across this country.

Senator **Bellmon.** How has this team been put together? Is this a federally funded project?

Mr. **Bingham.** Yes, sir; we are funding about half of it from title I of the Higher Education Act, 1966, and the rest from State and municipal funds.

Senator **Bellmon.** Are these services going to be available to the communities on some cost-free basis, or do they pay for services?

Mr. **Bingham.** They will pay half the cost of one management consultant about $15,000 a year. It will cost about $30,000 a year to finance this one man and give him the necessary backup, including travel, clerical personnel, and so forth.

I would be glad to send a copy of our contract with these 16 cities. About eight or nine cities have already signed the contract. I feel that we can just pour all the resources and money in the world down on these small communities, but if they do not know how to use it, what has it accomplished?

Senator **Bellmon.** Could you send a copy of this contract so we can have it in our files?

Mr. **Bingham.** I will be glad to.

Of course, we are talking about better concepts, better organization for the categorical aid programs, which has been discussed with growing interest in the Congress for the last 4 or 5 years. We are talking about intensification of these various programs. Certainly one objective, the intensification and improvement of these existing functional categorical aid programs, should be pursued by the Congress and by the Chief Executive.

The President's special-revenue proposals confront urban leaders with a dilemma. They have long urged general reduction of the categorical aid approach by consolidation of the functional programs into broad block grants to be used in accordance with local plans and priorities. Specifically, the President's so-called special revenue-sharing plan for rural development, provides $1,100 million, including $179 million of new money, for municipal and county governments outside of standard metropolitan statistical areas. It can be used for virtually any community development program or facility, without matching requirements.

As far as these small cities are concerned, they are to lose the programs eliminated by the urban development proposal— urban renewal model cities, and others—as well as those to be dropped by the rural fund, such as rural water and sewer funds, EDA public facility grants and loans, the Appalachian Regional Commission aid, and others.

Let us consider some further features. All of these funds go to the Governors, to be allocated to various local governments and purposes in accordance with the Governor's decision, under a very loose and general statewide development plan prepared with the advice of representatives of regional development planning districts. As a matter of policy, the National League of Cities "opposes outright programatic block grants to States which turn city program discretion over to certain State response."

Consider also whether the separation of Executive and legislative powers in the States is not compromised when a Governor gains control of large sums to be spent without the authority of the legislative branch and a balancing of interests that grows out of pressures and compromises of the legislative process.

By contrast, the so-called urban development special revenue-sharing proposal of the President provides for allocation of moneys among cities above 50,000 in accordance with a formula set forth in an act of Congress.

Why such a radical difference? Is a city of 49,000 materially different from one of 51,000?

Another matter of greatest concern is whether the Governor will have the technological and administrative capability and political detachment to respond to urban needs and the enormous responsibilities of allocating limited funds among competing uses and jurisdictions. Are we to have a categorical aid bureaucracy developed at the State level replacing that along the Potomac?

In Tennessee, towns and cities receive some $180 million annually of State shared taxes and grants—every penny of which is allocated in accordance with a formula prescribed by legislative act. The Governor exercises no control. I want to say he does exercise an enormous influence of what goes into those laws, but we tried there to find how these moneys can be best used and have either made block grants under a formula or shared taxes under a formula set forth by legislative act.

Now, in a completely different field I would like to suggest that possibly the greatest contribution this subcommittee could make both to rural and urban America would be the development and installation of a sound system or process for new urbanization. The annual quota of 3 million "more Americans" will never find homes in glamorous new towns. They will never be built without revolutionary changes in public and private developmental policies.

Most of these enormous surges in people have in the past and will in the future be lured by quick land developers into the cottonfields of the South, the cornfields of the Midwest, the wooded hills of the East, and the orange groves of the West. It is in these vacant territories around our cities and towns that new urbanization occurs and it happens in rural governmental jurisdictions governed by the traditional county government. In these rural areas, the biggest crop of farmers and the Department of Agriculture is new cities. It starts along the rural roads and the rural water lines when a farmer continues to grow a field of corn down by the creek and plants a field of houses up along the road.

A typical example is the 14 county metropolitan regions encompassing at its center the consolidated metropolitan government of Nashville and Davidson County and 13 neighboring rural counties. A few days ago, the council of governments for this region held a 3-day conference on new towns and new urbanization with representatives of the metropolitan center and some 20 municipal governments in the 5,000 to 40,000 population range located within a radius of 50 miles.

It was found that the decade of the 1960's brought rapid urbanization in the outlying rural counties with population gains as much as 5 times greater than the metropolitan center in spite of its superior form of government and ample vacant land for new development.

For example, Senator, we are talking about Oklahoma City with a jurisdiction of 535 square miles, over 85 percent of which is vacant—yet it could not grow.

Senator Bellmon. Let me get it straight. They were actually leaving the city limits of Nashville?

Mr. Bingham. They are going out into eight surrounding rural counties.

Senator Bellmon. Even when there is still plenty of space in the county?

Mr. Bingham. Yes.

Senator Bellmon. Why were they leaving?

Mr. Bingham. Cutrate competition. We got over 2,500 miles of rural waterlines mainly built by the Department of Agriculture and in some cases by HUD. There are no urban development standards, so along a rural road and rural waterline they build houses. They can save $2,000 to $5.000 a house by avoiding putting in sewers and waterlines and adequate streets and storm drainage and sidewalks and curbing gutter and the other requirements for standard urban development, the kind which every village and every city of this kind imposes upon new development, upon the corporate boundaries of the city through what are called subdivision regulations. There are no standards in the rural areas outside uncorporated municipal boundaries. So you have cutrate development.

Neither are the 20 smaller outlying cities that I mentioned, growing. The growth is coming in between.

Now, there is no requirement for planning. There are no land use controls. There are no subdivision regulations. There are not any development standards at all, and there are no urban type facilities.

The only thing is a top waterline, just enough to get tap water. You cannot fight fires with it. You have got septic tanks instead of sewers and so on.

Senator Bellmon. You have REA?

Mr. Bingham. Yes, we have electricity. It is an urbanized area, but not the urban possibilities.

Senator Bellmon. What about police protection?

Mr. Bingham. Usually not. Surprisingly one of the bad developments or things that occurs that you do not plan for are major thoroughfares in this sort of development. For example, you need a four-lane highway. You have to bulldoze down a development on a country road to get a highway. Maybe it will cost $2 million a mile when you could have both that extra field over there for a small sack of money.

Moreover, development is not occurring in the 20 outlying small cities. Rather, virtually all of the population growth and much of the industrial and commercial expansion is happening along the estimated 2.500 miles of rural water lines in the county—governed territory falling between the metropolitan city and the small suburban cities. This development was without planning, without land use controls, without subdivision regulations, without any developmental standards, and without urban-type public facilities.

Six years ago, the National League of Cities and the National Association of Counties joined in an intensive study of substandard urbanization in similar territories all across the country. The NLC & NAC then promulgated a joint policy statement recommending that the Federal Government and, where they will, State governments impose standards for new urban development in rural as well as municipal areas if any Federal funds and programs are to provide facilities encouraging and supporting urbanization.

The general concept, spelled out in detail in the joint statement, is to impose the same type of workable program for community development upon these urbanizing rural territories as the Federal Government has already imposed on other urban areas that happen to be governed by incorporated municipalities.

Senator Bellmon. Let me interrupt. Let me ask you, are you saying that you are recommending that in order for a resident of Nashville to move out and build along a country road on a rural water line that you want him to build a sewer and gutter just like he would in the city?

Mr. BINGHAM. Senator, what we are suggesting is we do what communities have done in some county areas and some States. Just simply say that if it is urban type development, it must meet these standards and requirements. The situation would begin to take care of itself. In the metropolitan region, between those outlying communities, where there are sewers and waterlines, new towns should not locate in between. That area should stay agricultural. If somebody wants to go out, as sometimes happens, and foster a development where they are willing to put in these adequate public facilities they can do that. Otherwise the development standards will force them to locate where these required facilities are available.

Senator BELLMON. You may proceed.

Mr. BINGHAM. Senator, I am really finished here. I have kind of hopped up my testimony. I better let you go.

Senator BELLMON. We will get it in the record the way you would like to have it.

Mr. BINGHAM. All right.

Failure to achieve competent physical and social planning and installation of public facilities, and constructive patterns of land use produces wasteful and destructive results in building a new city of 100 million population every 35 years. It has been found that substandard urban development, upon reaching the maturity in congestion and eventual deterioration will cost three to five times as much as properly planned, regulated, and served development from the beginning.

The policy adopted by the National League of Cities and U.S. Conference of Mayors contain numerous wise and helpful recommendations for improving the intergovernmental programs of Federal, State and local governments. Everything governments have done heretofore has not been wrong nor has it been so right that constant improvement to meet intensifying difficulties in urban and rural life should not command the most urgent attention of this subcommittee and the Congress.

Senator BELLMON. Let me ask a couple of questions here. You mentioned in your testimony that several years ago there was a movement on the part of USDA to become a department of rural community affairs.

Mr. BINGHAM. Yes.

Senator BELLMON. Do you know why this movement did not succeed?

Mr. BINGHAM. Well, I think it did succeed some. USDA now has control of rural water and sewer facilities and rural community planning and development. In fact, USDA pretty well became the Department of Urban Affairs for communities under 5,500 population, particularly through rural home mortgage financing.

Senator BELLMON. You do work with some of the USDA agencies, I imagine?

Mr. BINGHAM. Yes.

Senator BELLMON. It strikes me an association of these different programs that none of them concern themselves with the total concept of rural development. You have the Farmers Home Administration making water loans and sewer loans and housing loans and operating loans, and then we have the other agencies, the Extension Service, that the theory promotes dissemination of information to farmers. But there is not any agency I know about at the present time that really has taken on the responsibility for total concept of rural development. Am I right or not?

Mr. **Bingham**. That is certainly true. We have got a lot of agencies and I mentioned some. We think some others have a role to play. Other departments have programs that go into rural areas.

What we have always thought in the National League of Cities and U.S. Conference of Mayors is that there should be agencies and programs dealing with urban problems, small urban as well as large urban.

Senator **Bellmon**. It seems to me you have come close to this with this management assistance service you are talking about.

Mr. **Bingham**. That tries to strengthen the other end. You have got to have it right at both ends; that is, the administration of these programs at the local and national level should be somewhat more unified.

They should have capabilities of putting all of these resources together—no matter where they come from—to serve the community's objective and to take care of the community's needs.

Senator **Bellmon**. I assumed when you brought up the management assistance service you might give us a little more information about how exactly it is structured and how it is financed and how it is staffed. But you do not have that in your statement. Would it be too much of an imposition to ask you to furnish that to the committee?

Mr. **Bingham**. I will be pleased to do that.

Senator **Bellmon**. We will have to recess probably for 10 minutes until the chairman or I get back. I have to go to vote.

(At this point in the hearing a short recess was taken.)

Senator **Humphrey**. Mr. James Simpson, chairman of the Charles County Board of Commissioners, LaPlata, Md., is our next witness.

Mr. Simpson, proceed, and accept our apologies for having not been able to get you on the program according to schedule.

STATEMENT OF JAMES SIMPSON, CHAIRMAN, CHARLES COUNTY BOARD OF COMMISSIONERS, LA PLATA, MD., ALSO REPRESENTING THE NATIONAL ASSOCIATION OF COUNTIES

Mr. **Simpson**. Mr. Chairman and members of the committee, my name is James Simpson. I am here today in my capacity as the chairman of the Board of Commissioners of Charles County, Md., and as a representative of the National Association of Counties. With me today are Larry E. Naake and Peggy Sealey, legislative assistants for the National Association of Counties. We will be available for questions after my formal statement.

It is indeed a pleasure to appear before your subcommittee which in itself represents a recognition by the Congress of the United States of the need to plan for the future of our rural communities. I would like to commend you gentlemen and your congressional colleagues for your leadership concerning the rural, as well as urban, development and growth of our Nation.

As a county commissioner in a rural area, I am of course primarily interested in the actions of Congress as they relate to rural development. But I must also be concerned about urban problems and urban needs, since I know that they directly relate to the problems of rural America. We in Charles County, Md., have seen this interrelationship, with the spillover of the Washington, D.C., population into the northern parts of our county.

Even with this intrusion of urban life, Charles County is still primarily a rural area, dependent upon the tobacco and seafood industries for its living. But I must sadly admit that these industries, especially tobacco farming, have declined in recent years. Thus, Charles County, like so many other rural areas around the United States, is facing, at least to some degree, the problems of rural decay—rural unemployment, migration of the farm population to the cities, lack of alternative industries.

Today, I would like to discuss with you some of the problems of Charles County as they relate to the questions before your subcommittee dealing with a balanced national growth policy, the need for a national rural development program, and the administration's proposal for rural community development special revenue sharing.

BALANCED GROWTH

The National Association of Counties, in its "American county platform," has strongly supported the concept of a balanced national growth policy. Our policy is a recognition of the interrelated problems of rural and urban growth. The major problem as you gentlemen are well aware, is twofold. On one hand there is an exodus of low income and unemployed agricultural workers to our central cities. These agricultural workers, who now comprise only about 5 percent of our Nation's total population, have left and are leaving the farms seeking jobs in the central cities, having been displaced by technological advances in agriculture, mining, and timbering. On the other hand, there is a corresponding migration of middle class and lower middle class citizens from the central cities to the suburbs, including subdivisions, so-called planned unit developments, and new towns. They are fleeing the horrors of the central city for the amenities of suburban and "country living."

The problems of the central cities are tremendous. They have been well documented and we in rural America are conscious of their severity.

But, we must also be conscious of the problems that have resulted from the migration to suburbs and to rural communities surrounding urban areas. These communities for the most part, become "county communities." We are willing to face these problems, but we need your help and we need your cooperation.

The problems that I refer to are not the problems of an isolated rural community, but rather the problems of an area like Charles County which is in transition. The western and southern areas of our county are still very rural and will remain so for some time to come. But the northern portion of the county is rapidly becoming urbanized. With respect to a balanced growth pattern, this is where we most need the cooperation among all levels of government. Former Secretar yof Agriculture, Orville L. Freeman, who testified before your subcommittee on April 29, 1971, stated our position quite well when he said:

We need a national growth and settlement policy covering the geographic distribution of economic opportunity, jobs, and people. That policy must be guided and facilitated at the federal level and flow to the states, counties, cities and smaller communities, not as a flood to inundate them, but as a stream on which they can float constructive remedies and man their own oars to help reach the national goals.

But, to date, Federal policy does not always have this result. There is not always the cooperation and coordination that is need to provide either a balanced growth or a revitalization of our rural areas.

Let me cite an example of what I consider to be misguided and uncoordinated Federal policy in my own Charles County.

My example relates to a new community some 25 miles southeast of Washington, D.C., which has been named St. Charles Communities. It is primarily being financed by a $24 million guaranteed loan by the U.S. Department of Housing and Urban Development. It is the second new community loan in the United States that has been guaranteed by HUD. The developer of the new town or new community is the Interstate Land Development Co., which is headquartered in Puerto Rico. To date, the developer has sold $18 million in bonds, and has constructed some 1,200 family units.

Prior to the guaranteed loan by HUD, the development, which was merely a subdivision, had changed hands some four or five times. With the entrance of HUD into the development, it then became a new community approach. They eventually plan to construct some 24,000 dwelling units, housing a population of 75,000 by the year 1990.

We in Charles County cannot argue with the concept of new communities which are needed for a balanced growth pattern. But we do have two very major complaints about the way this particular project was handled.

First, the county had little or no contact with HUD prior to the accouncement of the guaranteed $24 million loan. As a matter of fact, my fellow board members and I read about the guaranteed loan in the Evening Star. HUD had not informed us that they were going to take such action.

Even more importantly, the Department of Housing and Urban Development did not consult county officials to see if the new community was consistent with our general plan and our zoning regulations. They did state in their news release that it was consistent with the State of Maryland and our Tri-County Council existing land use plans. But I understand that they did not receive the approval of either of these bodies. The point is that this community now exists in Charles County, whether or not we want it and without our consent or consultation. This approach certainly does not bespeak of the cooperation and coordination that your subcommittee is seeking.

Secondly, we in Charles County are faced now with a rapidly projected growth in population with the fiscal means to meet this growth. As I said, the developers and HUD anticipates an influx of some 75,000 people into St. Charles Communities over the next 20 years. This community lies between two small towns in our county—LaPlata, the county seat, with a population of about 1,500, and Waldorf with a population of a little over 1,000. The total population of our county, according to the 1970 estimated census data was estimated at 46,376.

Thus, the community of St. Charles will mean a minimum population increase of some 260 percent over the next 20 years.

This increase, of course, means a tremendous strain on the services that Charles County must provide to our new citizens. It means a rapid increase in the provision of schools and educational services, police services, fire protection, sanitation services, and the many, many, other services that accompany new communities. Right now, with the 1,200 families, or 6,500 persons, in the community, St. Charles is still a bedroom community with its citizens commuting to Washington, D.C., for employment.

In addition to providing basic services, we are facing a problem of a transplanted population from the innercity to a "country-type living" environment. These people are used to and expect a high level of urban services. Even now they are putting demands on the county that other citizens within our boundaries have been anticipating for many, many years.

This new influx of people and related demands for services are all being thrust upon Charles County, without the corresponding industry or employment to go with it. Even though there are projections within the next 20 years for industrial development, this economic growth has not taken place and will certainly not do so in the very near future.

In the meantime, we must provide new services on a very limited tax base. We have the fifth highest tax rate in the State of Maryland but we are only 13 in size, primarily because our tax base consists of declining-value agricultural lands and residential property. We have no industrial tax base. We just can't afford the rapid population increase that we are facing.

HUD, in short, has merely sent us more people with all the economic and social problems that accompany large and rapid population growth, but have not provided us with new industry or new jobs. We, in Charles County, believe that this is grossly unfair and believe that the Federal Government has an obligation to assist us when they make a decision, without our approval, that places such stress on our community. A balanced growth policy should mean not just balanced population growth, but also balanced economic and social growth.

RURAL DEVELOPMENT

The challenge before your subcommittee to evolve a meaningful rural development program is a great one. I certainly do not have all of the answers. But your subcommittee, your staff, and other experts should investigate some of the excellent suggestions that have been made by other witnesses appearing before you. Such suggestions include: the development of a national land-use policy, which NACO supports; the mandating of better coordination and planning among Federal, State, and local governments; the placement of Federal Goverment offices and facilities in rural areas and in new towns like St. Charles communities; tax and other incentive programs to encourage small industries to expand into underpopulated areas; and Federal incentives to encourage farmers to continue to produce on smaller units, rather than large-scale corporation farming. These are some of the suggestions that have been advanced that are certainly worthy of your investigation.

But one program that NACO does not feel would assist the cause of rural development is the administration's proposal for a rural community development special revenue-sharing program. Our NACO board of directors, upon recommendation of our county planning and development steering committee, adopted the policy on April 4, 1971, that NACO would not support the rural community development special revenue-sharing proposal, unless the program were amended to require a mandatory pass-through to counties of at least the same amount of money that they are presently receiving under the 11 existing programs that would be consolidated.

We believe that some form of grant consolidation of rural Federal air programs would be desirable. It would help to streamline the administrative and the delivery of both funds and services. However, we also believe that any great consolidation proposal must recognize the needs of those citizens receiving county services, and not unduly discriminate against those programs and services now being provided by countes.

The NACO board of directors and steering committee felt that the administration's rural grant consolidation proposal would discriminate for two reasons:

1. The program provides that funds would go directly to the States for distribution as they see fit. This would mean an end to the direct flow of funds to county governments under both the Cooperative Agricultural Extension Service and the Farmer's Home Administration's rural water and waste disposal facilities program. There is no guarantee that the States would continue to maintain the programs that have already been started in our rural areas. Our 1,500 or more county agricultural commissioners are violently against the program that would cut the flow of extension service funds for their programs. Counties in rural communities also strongly oppose the abolition of the rural water and waste disposal program. The end of this program could mean that the many water and waste treatment facilities that we need in Charles County would not be assisted through Federal funds. In addition, over two-thirds of the water and sewer projects have been financed in combination with other FHA grants and loans. The special revenue-sharing approach would fragment the funds sources and would be disruptive of projects. We are further concerned that such programs as the economic development administration, the rural environmental assistance program, and the resource conservation and development program would be ended.

2. Our second concern is that the $179 million that has been added under the special revenue-sharing program is really not "new money" at all, since the base for the increase is the 1971 fiscal year. Presumably, the Federal funding level for the 11 existing programs would have been raised in fiscal year 1972, even if this special revenue-sharing program had not been proposed. In addition, as your subcommittee well knows, some of the existing 11 programs have already been cut. For example, your Congress authorized $100 million last year for the FHA rural water and waste disposal facilities grant

program. The Office of Management and Budget, however, has frozen some $56 million of that amount.

In summary, we do not oppose the concept of grant consolidation. However, we do oppose the proposed destruction of the fine relationship between counties and rural communities and the Federal Government. We would certainly support reduction or discontinuation of State and local matching requirements in the various rural grants-in-aid programs. In addition, we would prefer to see funds continue to flow to the counties, but in a block grant form to be used as local needs dictate.

I would again like to thank you for providing counties with this opportunity to testify before your subcommittee. We commend you, Senator Humphrey, and the members of this subcommittee for your concern and fine efforts in behalf of rural America.

That ends my statement, Mr. Chairman.

Thank you very much.

Senator **Humphrey**. May I ask, is this article, "Government at the County Level"—that is not yours, I just wondered whether that was part of your testimony.

I think that what we will do is include that as a part of the record. I have an article here describing new "U.S.A. Project of National Association of Counties, Government at the County Level Slowly Undergoes Basic Reform." It is in the magazine known as the Government Executive. We will include it as part of our record.

(The article is as follows:)

[Article from Government Executive, June 1971]

Government at the County Level Slowly Undergoes Basic Reforms

Maybe Henry Gilbertson was unfairly used by the critics of local government. Certainly, many defenders of the country form of government have winced at critics' indictments of the county allegedly based on some of the more devastating passages in Gilbertson's book, *The County, the Dark Continent of American Politics.*

The word was put forth that Gilbertson, one of the most famous of governmental reformers, was primarily a hatchetman dedicated to portraying county governments as archaic, inefficient and worse—that he was just plain anti-county government, a negative rather than positive force.

No so, far from it, in fact, in the view of Alastair McArthur, deputy executive director of the National Association of Counties.

"Many writers on local government, eager to use Gilbertson's phrase, 'Dark Continent,' to characterize county governments as archaic, inefficient, and not well known to the public, conveniently forgot—or purposely omitted the fact that he was not trying to abolish county government but rather trying to reform it," McArthur said recently. "He was a staunch advocate of county home rule and favored permitting counties to adopt special home rule charters."

To NACO officials and many other county-watchers and urbanologists who believe the revitalization of county government may be the answer to many of the Nation's governmental ills, a "bright new day" is coming for county government.

Writing in *Public Management*, published by the International City Management Association, this Spring, Bernard F. Hillenbrand, NACO's executive director, noted: "At long last, county government has emerged as a full-fledged partner in America's government structure. Once the invisible dark continent in the American Federal system, the county is now a highly visible and, in most instances, a very capable partner."

While critics continue to raise questions about how fast the reform movement is proceeding and just how capable many counties are in meeting public needs, there is general agreement that interesting things are happening these days in many of the Nation's 3,049 counties.

More than 70 counties have active reorganization study commissions operating and 18 are drafting home rule charters. During the past five years, 16 counties have adopted the elected executive form of government and 44 counties with a total of nearly 20 million residents now have elected executives, and several hundred counties have either elected executives or appointed administrators. More than 50 counties now have home rule charters.

Late in 1969, NACO, using a Ford Foundation grant, got its "New County, USA" program under way.

Focal point of NACO's national center for modernizing county government is a "situation room" in Washington, D.C., designed to maintain up-to-the-minute surveillance on nationwide developments in home rule legislation, constitutional revision, charters and other aspects of county government reform. The center is in the process of building a continuing dialogue exchange with numerous groups traditionally concerned with strengthening governmental authorities and responsiveness at the sub-Federal levels.

These include, among others: the U.S. Chamber of Commerce, the U.S. Conference of Mayors, the Advisory Commission on Intergovernmental Relations, the International City Managers Association, the National League of Cities, the League of Women Voters, the Urban Coalition, the National Municipal League, the Public Administration Service and the Committee on Economic Development.

Provisions have been made for roundtables, conferences and institutes staffed with experts and geared to focus on such pressing county-level problems as personnel management, transportation planning, capital budgeting, recreation planning, bond financing, records management, state-local income tax assessing, purchasing training, conservation, public health, aid to the poor and city, state and Federal relationships with counties.

"New County, U.S.A." envisions, among other functions, a clearing house—hopefully computerized in the future—for pertinent information on state constitutional and legislative developments, tax policy, county charter analyses and comparisons of a variety of governmental reorganization efforts.

As McArthur put it: "It is our way of pooling and sharing collective experiences on all aspects of county government—telling the good and the bad—with the ultimate goal of making things better.

"We have made detailed analyses which indicate that strong currents of reorganization and reform of county government are beginning to be felt throughout the Nation . . . "

He said: "Counties still perform the traditional functions—they still build roads, keep records and collect taxes—but the point is that they are also doing much more."

One example: New Jersey's 21 counties perform more than 5,000 functions, but only 3,000 of these functions have been mandated by the state.

"Certainly in this day and age when pollution is on every citizen's mind, the inability of counties to control pollution limits its ability to become an attractive functional partner in the governmental process.

"Yet it wasn't until three years ago that the state of Washington passed legislation allowing county government to function in the area of water pollution control.

"It took a major commitment of resources, both political and financial, for the Washington counties to eventually become involved in pollution control.

"Again, in the area of environmental concern, the Indiana State Association of Counties this year is endorsing legislation which will allow its counties for the first time to function in the area of solid waste disposal."

Last Fall, NACO's "New County Center" sponsored an institute on inter-governmental contracting in Los Angeles County. That county's contract services program known as the "Lakewood Plan" has pointed up some interesting intergovernmental possibilities.

Los Angeles County, under an unusual jurisdictional arrangement, provides services such as police and fire protection, health services, and street maintenance to many of the county's 77 cities on a contract basis.

"The basic premise of the program," McArthur said, "is that the city pays the full cost of services provided by the county in exchange for which it enjoys the advantages of specialized skills and expertise." He noted that cities within the Los Angeles County limits have signed more than 1,600 separate service contracts with the county.

NACO also has been concerned with the issue of functional consolidation of governmental services, and has closely followed the plan developed successfully by Monroe County, New York, and the city of Rochester under which the two governments have formed 15 joint departments and city-county agencies to foster improved governmental services.

The Association, which conducts seminars throughout the country, has found that there is a growing interest in city-county consolidations out in the boondocks these days.

"The citizen," McArthur said, "correctly will search for that level of government which has the ability and desire to do the job . . . to provide him the services he needs and is willing to pay for. Why should the county with all of its natural advantages of regionalism such as a broad tax base, area-wide jurisdiction and political accountability be overlooked?"

Counties in the view of experienced observers of intergovernmental affairs must be given greater authority—either by charter or through broad statutory delegation of power—to adopt internal governmental structural changes and make necessary functional arrangements with other governmental units.

NACO points out that county government, one of the oldest democratic institutions, has—largely unnoticed—undergone the same kind of healthy reformist ferment that has caused agonizing soul-searching among many other American institutions in recent years.

Some 240 counties surveyed by NACO were found to be modernizing their governments—and in some cases, the changes in the county bureaucratic structure have been drastic.

Time was when America's county governments were as alike as peas in a pod. No more. Counties slowly are evolving into functional governmental units tailored to the needs of residents of their areas. They are assuming a variety of administrative forms.

Some 25 states now are considering constitutional changes aimed at modernizing archaic county government machinery. Legislatures are studying statewide county reorganization bills and assigning subcommittees to work on the restructuring of county government.

The Advisory Commission on Intergovernmental Relations, long a potent force in fostering the federalism concept, has been active along with NACO in promoting county-level reforms.

Development of a Federal system that is a "strong partnership of strong partners" is the frequently stated aim of an entity known as INTERGOV and the ACIR, whose chairman is Robert E. Merriman.

"When we seek effective regional answers to urban service problems, we are, in effect, seeking an effective county government in most cases," he said . . . "when we see the helter-skelter consumption of valuable land on the urban periphery and the ineffectiveness of most land use controls and zoning, we see, in many instances, a glaring weakness of many county governments . . . when we strive to reconcile bitter differences between states and many of their larger municipalities, we strive for an intermediary force that can help arbitrate these conflicts—hopefully the counties . . ."

To this end, INTERGOV has developed a county reform legislative package that is getting serious study at the state level throughout the country.

Among other provisions, the draft legislation would free county government from the shackles of uniformity within a given state by allowing for greater choice among the several predominant governmental forms—county commissioner, appointive or designated county manager, or elected county executive.

Other provisions concern the need for greater freedom in the transfer of functions between municipalities and counties, the performance of municipal-type functions by counties, the need to mesh activities of counties and largely independent "special districts," as well as giving counties more flexibility in the interrelated areas of planning, zoning and taxation and providing state leadership in encouraging greater professionalism at the local level.

The aim in a nutshell is to make county government more professional, more responsive to the citizenry and more accountable than it has been in the past.

The experienced county-watchers concede that regionalization or what could be termed real metropolitanism may be the way of the future, that as inner-city and suburbs belatedly recognize that their goals and problems are part of the same piece of cloth, they will increasingly enter into cooperative functional service agreements. And that it is by no means impossible that a number of existing counties peripheral to cities may at some distant time in the future merge—in actuality or for all major functional purposes.

Until that day arrives, however, the thrust is toward giving existing counties the muscle needed to operate effectively as a viable part of a strong federal system.

While it may not be apparent to the average disinterested county resident, the American county is not what it used to be. It is changing in significant ways. So say NACO, the ACIR and numerous county officials. What the county eventually will become remains to be seen.

Senator Humphrey. The example that you give is a very interesting one on how a Federal grant on the one hand produces the results in terms of construction, but violates the standards of county planning or even multidistrict planning. That is the point that you were trying to make, I understand?

Mr. Simpson. Yes.

Senator Humphrey. And your testimony indicates insofar as Federal officials were concerned at the regional level or at the national level, there was no consultation with any of the commissioners of the county or any of the officers of the county; is that correct?

Mr. Simpson. That is correct.

Senator Humphrey. Did the developer consult?

Mr. Simpson. The developer did not consult the county— well, we have had four or five developers on that piece of land. The present developer who was successful or unsuccessful, I am not sure which, in obtaining the guaranteed loan consulted the county but not to the extent that they are getting HUD guaranteed loans. They came in strictly on their own as a new developer who wanted to develop that land. Then we lost contact with them for a while, and evidently it was in the transition period where they were working to get these HUD funds.

They were not actually really not in progress of developing any property at that time.

Senator Humphrey. Does your county board have any working contacts with the Department of Agriculture insofar as rural development is concerned?

Mr. Simpson. No.

Senator Humphrey. None that you know of?

Mr. Simpson. Well, as you can see, with 47,000 people in the county in intergovernment, is probably not the most sophisticated.

Senator Humphrey. It represents a typical rural county, does it not?

Mr. Simpson. What actually happened, we have been forced to do things in the last year that probably normally we would not have done, and some are for the better and some for the worse. We have had to re-do our whole zoning ordinance, mainly because of the Saint Charles program. Everybody is scared to death of it, primarily because we are not sophisticated enough to handle a project of this size as rapidly as they want to proceed.

So we did go into—HUD has been very instrumental in getting us to put in a PUD zoning which we did not have for this development. This development could not move without it.

I met with HUD some time back in September after having quite a time getting an appointment with any officials up there, and they were very surprised when I told them we were not too happy about the project. They could not believe it. They said from your county we need a zoning ordinance that will be able to accept this project. My point to them was why didn't you do this before you guaranteed this loan, why wait until after you have made a commitment and then come to us and say all right now, this is what you are going to have to do to permit us to build this development in the county.

Now, the roads coming into Charles County leave a lot to be desired. The education is one thing. Police protection—we had a meeting with their citizen's association last week and even though there is only 1,200 families living there now with 67,000 people, already they have experienced the dope problem, the molesting of children and lack of school space and all of a sudden they want full-time police protection. Their schools within their development with some of the other children living in the county have to ride maybe 15 or 20 miles, and these are the things that I think if HUD is going to guarantee loans for new communities and basically sponsor new communities that these things should be included in the package. They should be for education, health, of course, they make a big to-do over the 20 percent add-on grants.

That still is not sufficient, because it takes too long—on June 26 of last year after the announcement of the new community guaranteed loan, on June 26 they contacted our Sanitory Commission and said if you get to Philadelphia and pick up these applications and get them back to us by June 29 there is a possibility of a million dollars in water and $2 million in sewer grants. That was on a Thursday. These people went to Philadelphia on Wednesday, got back Thursday, worked Thursday, Friday, Saturday, Sunday, flew them up there Monday. Again it hits the paper, Charles County got $3 million in water and sewer grants. As of February we had not received a penny, water supply was spent. We opposed, they said do not sell them until you get our approval.

I finally told Mr. Parker in Philadelphia at the regional office that they could keep this Federal money and the new community, that they had to get our water system underway.

Finally, I think it was in February or early March or something, they flew them down personally, the approval, the applications for approval, to put in our water system which was critical. However, we have just let the bids out, so we are going through another summer with the critical water supply.

Again, if the money is available, if it is going to take as long as it does to break these funds loose, again we are right in the same ball park.

Senator HUMPHREY. Well, of course, if that had all been worked out in a comprehensive plan, the water and sewerage funds would have been included in the original design or in the original program. What actually happened, I gather, is that the water and sewerage funds came in after the announcement of the loans for the housing, is that right?

Mr. SIMPSON. That is correct.

Senator HUMPHREY. So you were substantially delayed in being able to process your bond issue and get your program for the water supply underway?

Mr. SIMPSON. That is right.

Senator HUMPHREY. Senator Bellmon?

Senator BELLMON. Mr. Chairman, I was not present when Mr. Simpson testified and I do not have any questions.

Senator HUMPHREY. We want to thank you very, very much. You are very helpful. We are getting what you call a general oversight now of some of the program problems that relate to proposals for rural development and for a better urban-rural balance.

Your comment is both typical and atypical. You are close to a big city like Washington, so you are in a sense almost like a satellite community.

Mr. SIMPSON. That is right.

Senator HUMPHREY. Thank you very much.

Your name again.

Mr. NAAKE. Larry Naake.

Senator HUMPHREY. Thank you very much.

Our next witness is Col. Martin A. Hagerstrand.

Senator Bellmon, I think we have an Oklahoman here.

Senator BELLMON. Indeed we do, very prominent.

Senator HUMPHREY. A member of the board of directors of the National Service to Regional Councils.

I guess you do have a little background here on the regional councils.

Thank you.

Go right ahead, Colonel. We welcome you to the subcommittee.

STATEMENT OF COL. MARTIN A. HAGERSTRAND, MEMBER, BOARD OF DIRECTORS, NATIONAL SERVICE TO REGIONAL COUNCILS, MUSKOGEE, OKLA.; AND RICHARD C. HARTMAN, DIRECTOR, NATIONAL SERVICE TO REGIONAL COUNCILS

Colonel HAGERSTRAND. Thank you. We certainly appreciate the opportunity to present our views, because the regional council has a proposal to present.

We feel there should be and must be a national growth policy which encompasses both the rural and urban areas.

I will continue with the statement here and follow it fairly closely.

Senator HUMPHREY. Please do.

Colonel HAGERSTRAND. Let me begin with some introductory comments about our organization.

The National Service to Regional Councils was initiated by the National League of Cities and the National Association of Counties in 1967, to assist the rapidly growing number of regional councils in setting up and improving their programs and activities.

Regional councils are areawide organizations which involve more than one local government and encompass a total regional community. Regional councils exist both in densely populated metropolitan areas and in sparsely populated rural areas. Their prime purpose is to increase communication, cooperating, and coordination among local governments and to develop policies and programs to meet mutual problems and challenges. The term "regional council" encompasses several different types of organizational structures, the most prominent being councils of governments, economic or local development districts, and regional planning commissions.

Close to 600 regional councils have been established to deal with areawide problems. The government bodies of these councils are composed primarily of local government elected officials or their representatives.

The National Service to Regional Councils is a membership association of councils throughout the country. Our board is composed of local government elected officials and other regional council policy members, as well as representatives from the boards of the National League of Cities and the National Association of Counties. A roster is attached for your review, along with additional information on regional councils.

Senator HUMPHREY. We will include that roster along with your testimony here and also the other material that you have, the regionalism article we will include.

Colonel HAGERSTRAND. Thank you, Mr. Chairman.

(The documents are as follows:)

REGIONALISM: THE QUIET REVOLUTION

Local government is changing itself in an effort to better meet the needs of people. Across the nation, cities, counties, towns and school districts that serve a common area are joining together in a regional effort to solve mutual problems. In a quiet way, regionalism is a revolution in the structure of our federal system.

One of the most important changes in local government in recent years has been the growing awareness of the need for cooperative activity. People are no longer restricted to the boundaries of a single city or county, whether rural, suburban or urban. The rapid growth and modernization of our nation has brought with it a highly mobile, highly demanding public which is involved daily with a number of local governments. Today's citizen rarely works, lives, shops and enjoys his recreation within a single jurisdiction.

Then too the cost of local government is increasing, requiring that local government officials pool administrative operations for economy and efficiency.

Finally, many problems facing local governments cross jurisdictional boundaries and can be solved only on a broader geographic basis. Such problems include transportation, economic development, environment, law enforcement, health protection, and many other activities. Local governments have been forced to find new solutions to these problems. This has resulted in a search for new cooperative mechanisms to more effectively meet the needs of people on a larger and more coordinated basis.

REGIONAL COUNCILS

The most promising development in our federal system and for local communities, in the search for new mechanisms, is the regional council. Regional councils are areawide organizations which involve cities, counties, towns and often school districts within a total community. Their prime purpose is to increase communication, cooperation and coordination among local governments in planning and implementing programs to meet mutual challenges and problems. Each local government has the opportunity for full involvement in the policy-making and programming of the council.

Regional councils are *advisory* in nature and lack the normal governmental powers of taxation, regulation and direct operation of public facilities. Their purpose is to provide a forum for dialogue and joint decision-making within a regional context. Regional councils have no direct power to implement these decisions. They must rely on the elected representatives of member local governments to see that the decisions become a reality.

BASIC PROGRAMS

Regional councils operate through a planning/decisionmaking process, which includes essentially data collection, identification of area challenges, review of means to meet those challenges, adoption of a plan for action, and finally initiating the implementation of that action.

A basic regional council program would fall into the following framework:

Regional programs to better meet the needs of people at the local level.

Regional planning and management in specific functional areas such as air pollution control, solid waste disposal, transportation, law enforcement, water quality, land use and settlement, manpower and economic development.

Relate functional planning in these areas to each other and to overall planning for the region.

Establish goals and priorities for the region.

Forum for communication among local governments.

Technical assistance and joint services for local governments, which provide economies of scale when carried out on a regional basis. Cooperative purchasing, regional training academies, regional jails and correction centers, and areawide solid waste disposal facilities. All of these projects save the taxpayers money when performed on a larger, regional scale.

Coordination and review of local government activities within the region to avoid duplication and overlap. It is poor economy for two adjacent jurisdictions to build new crime labs, when they can pool their resources and have a better facility at a lower cost to each.

GROWTH OF REGIONAL COUNCILS

Currently, there are about 560 regional councils in the United States. These councils involve 80 per cent of the nation's population and 55 per cent of its land area. Fifty-five per cent are in metropolitan regions; 45 per cent are located in nonmetropolitan, less densely populated areas.

Only 10 per cent of existing regional councils were formed prior to 1960. The bulk, 60 per cent, have been created since 1966. The rapid growth of regional councils in the last four years is due to two basic reasons: (1) Stimulation from the federal government in terms of legislative and administrative requirements for federal aid. (2) An increasing awareness on the part of local governments that there is a need for regional cooperation and new solutions to domestic problems.

FUNDING

The typical budget of a regional council is between $100,000-$200,000. Councils receive their funds from three basic sources: federal, state and local governments.

On the average, councils receive 60 per cent of their funds from federal grants for functional planning (i.e., land use, transportation, housing, etc.) Local communities provide about 34 per cent of a council's funds, usually on a per capita basis.

About 15 state governments provide general support funds to regional councils. These general support funds are not earmarked for any specific program; the funds are used to encourage a regional approach to problem solving. General state support amounts to about five per cent of a council's budget.

The final one per cent comes from miscellaneous private sources, such as foundations.

The total expenditures for all regional council efforts is about $80–$100 million a year. This would only purchase about four 747 jet airplanes. A small price, considering that we are forming a foundation for better, more responsive local government.

NATIONAL SERVICE TO REGIONAL COUNCILS

BOARD OF DIRECTORS

President: Hon. Thomas Bradley, Councilman, City of Los Angeles; Founder and Past President, Southern California Association of Governments, Los Angeles, California.

Vice President: Hon. James G. Martin, Chairman, Mecklenburg County Board of Commissioners; Founder and Past Chairman, Central Piedmont Regional Council of Governments, Charlotte, North Carolina.

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Hon. Francis B. Francois, Councilman, Prince George's County, Maryland; President, Metropolitan Washington Council of Governments, Washington, D. C.

Hon. Eugene T. Gualco, Supervisor, Sacramento County; Past Chairman, Sacramento Regional Area Planning Commission, Sacramento, California.

Col. Martin A. Hagerstrand, Past Chairman, Eastern Oklahoma Development District, Muskogee, Oklahoma.

Bernard F. Hillenbrand, Executive Director, National Association of Counties, Washington, D. C.

Hon. Price K. Johnson, Mayor, City of Refugio, Texas; Chairman, Coastal Bend Regional Planning Commission, Corpus Christi, Texas.

Hon. Richard Lugar, Mayor, City of Indianapolis, Indiana; President, National League of Cities.

Hon. Jack D. Maltester, Mayor, City of San Leandro, California; Member, Association of Bay Area Governments, Berkeley, California; Past President, U. S. Conference of Mayors.

Tim F. Maund, Executive Director, Central Savannah River Area Planning and Development Commission, Augusta, Georgia.

Hon. Elmer Peters, Commissioner, Sedgwick County, Wichita, Kansas.

William J. Pitstick, Executive Director, North Central Texas Council of Governments, Arlington, Texas.

Hon. Frank R. Pokorny, President, Cuyahoga County Commissioner; Member, Northeast Ohio Areawide Coordinating Agency, Cleveland, Ohio.

Allen Pritchard, Deputy Executive Vice President, National League of Cities, Washington, D. C.

Hon. Lawrence K. Roos, Supervisor, St. Louis County, Clayton, Missouri; Member, East-West Gateway Coordinating Council, St. Louis, Missouri.

Hon. Carl B. Stokes, Mayor, City of Cleveland; Member, Northeast Ohio Areawide Coordinating Agency, Cleveland, Ohio; Vice President, National League of Cities.

Hon. B. L. Tims, Mayor, City of Scottsdale, Arizona; Chairman, Maricopa Association of Governments, Phoenix, Arizona.

Hon. Wes Uhlman, Mayor, City of Seattle; Chairman, Puget Sound Governmental Conference, Seattle, Washington.

Chairman of the Advisory Committee: Robert N. Young, Executive Director, Regional Planning Council, Baltimore, Maryland.

Colonel HAGERSTRAND. One of the issues before Congress, on which we have been requested to comment, concerns the development of a national rural development policy. This is a complicated issue. It cannot be addressed simply on the basis of the need to solve our very significant problems in rural areas of America. This would not be sufficient to really cope with the total problems of national urban and rural development. It is unnecessary for me to indicate reasons why rural and urban development cannot be treated separately. We must have a policy that encompasses both. Moreover, this policy must engender balanced development, not emphasizing rural or urban development to the detriment of the other.

It is the opinion of the National Service that a balanced national growth and development policy is imperative if we as a nation will have coherent and rational development and growth. The enunciation of such a policy by Congress would go a long way toward precipitating necessary decisions with regard to the substantive programs, priorities, and institutional needs to implement such programs. It would also enable us to look at the questions concerning governmental reorganization at all levels of government, as well as the types and nature of new and innovative programs necessary to implement such a growth policy.

Presently, the context for decisionmaking at the regional and local level is severely limited by the lack of national and State policies establishing a framework for decisionmaking. Locally we are prone to make decisions that sometimes conflict with the larger needs of the States and the Federal Government.

Congress must make a commitment to rational and balanced growth. As in the case of the Full Employment Act of 1949, the Nation must now put itself on record as requiring the orchestration of all Federal endeavors in a manner which will result in coherent and balanced development.

We look with some mixed emotions upon the actions taken in the last session of Congress which only partially dealt with this problem. Under the provisions of the Housing and Urban Development Act of 1970, Congress required the Domestic Council to establish an urban development policy.

The need for this policy was precipitated through the recognition that the new communities legislation which was expanded in the 1970 act had to be administered within the context of a national urban development policy. This is a positive step forward.

However, we feel that it tends to isolate the urban problems from those of the rural areas, and this is not practicable or desirable. What we do need is a balanced national growth and development policy, one which considers and integrates both rural and urban development into a single national policy.

THE NEED FOR A FRAMEWORK FOR IMPLEMENTING A BALANCED NATIONAL GROWTH AND DEVELOPMENT POLICY

The commitment of Congress and the executive branch to a balanced growth policy—one that adequately reflects the opportunities for rural development as an alternative to urban congestion and sprawl—must be accompanied by consistent Federal policies and programs for its attainment. To implement such a policy, existing Federal programs must be reexamined and, where necessary, new and innovative approaches must be considered.

But Federal programs cannot be effectively utilized at the State, Regional, and local levels unless there is a proper planning and coordinative management framework for their administration. In this regard, the membership of the National Service to regional councils at its last annual meeting in March 1971, expressed its grave concern over the lack of appropriate Federal Government support for planning and management.

The membership of the National Service proposes that Congress consider developing a new program for assisting States, regional councils, and local governments to undertake this planning and management function.

Such a program would be administered outside the control of any of the functional or departmental agencies of the Federal Government. Instead, it would be established in the Office of the President—possibly within the Domestic Council.

This suggestion is a result of the need to have the regulations and standards for administering such planning and management grants determined on the basis of the overall priorities and policies for balanced national development and not on the basis of individual functional agency priorities. Such a program also implies the development in each State of regional mechanisms to assist the general purpose local governments in solving their mutual problems and developing complementary developmental policies.

Without establishing such a framework for response to a balanced national growth policy, we do not feel that the States and their units of local government could adequately take advantage of the Federal initiative. In direct relation to the inquiry being made by this subcommittee, we feel that any legislation dealing with rural development should consider the necessity of creating such a framework for decisionmaking.

Any legislation which is predicated on the need for rural development should encourage multijurisdictional cooperation to assure that the coordination of State and local governmental decisions are undertaken through a process of planning and management at the regional scale.

Inherent in this proposal also is the necessity to have the Federal Government react to such regional agencies on a unified and consistent basis. Currently, many Federal programs encourage fragmentation of government at the regional level. Our proposal suggests that the Federal Government should defer to organizations of general purpose local government—regional councils—acting primarily through their elected officials, as the central agency for all regional developmental activity required under Federal law or administrative regulations. It is not enough for regional agencies to only have a part of the action.

If you ask them to deal with problems of transportation but not those concerning the delivery of health services, and if you ask them to deal with problems of economic development but not those of solid waste disposal, they will be completely unable to address themselves to the total developmental issues confronting their region and their local government.

In our opinion, only through strengthening the capacity of our units of State and local government to deal with these significant problems of urban and rural development can we make federalism work.

THE NECESSITY FOR FEDERAL REORGANIZATION IN THE EXECUTIVE BRANCH TO IMPLEMENT BALANCED NATIONAL GROWTH POLICY

Just as State and local governments and regional councils need to develop adequate institutional arrangements for decisionmaking in the implementation of national growth policy, the executive branch of the Government needs to put its house in order. In our opinion the functional approach to dealing with domestic problems has been engendered by the present organization of the executive branch.

Congress has treated domestic problems of a functional basis because Federal agencies have traditionally been organized to cope with functional problems. However, this is not how State and local governments should make decisions. They must take a broader viewpoint. They must interrelate decisions on the ground level pertaining to certain functional activities, like transportation, to other activities such as housing, manpower, environment, and development of other community facilities.

Recent proposals pending before Congress which would consolidate certain grant programs would certainly move toward developing a more unified approach at the Federal level. At the same time the response by State and local governments would be improved by this consolidation. Grant consolidation would allow similar programs to be grouped more coherently under the administrative direction of one Federal agency rather than to be proliferated and administered by several agencies.

Nevertheless, the functional approach would still exist. To really cope with the central problem, we feel that fundamental reorganization of the executive branch should be considered. The Ash Committee's proposals which are now pending before Congress apprear to be salutary. These proposals call for the operational agencies of the executive branch to be arranged on the basis of purpose rather than along functional lines.

Time does not allow us to discuss these proposals in detail. However, we would encourage Congress to seriously consider these basic reorganization proposals. We believe that such executive reorganization is imperative to the implementation of a balanced national growth policy and will encourage governments at the State, local, and regional levels to modernize their own governmental structures.

RURAL REVENUE SHARING

Departing from the question of developing and implementing a balanced national growth policy, you have asked for our recommendations and reactions to the administration's rural revenue sharing program. We find many positive aspects of this proposal. They include:

1. The proposal would require the preparation of a comprehensive rural development plan at the State level. At the same time, this requirement recognizes the need for local government input into this planning process and proposes the establishment of substate planning agencies directed by elected officials from general purpose local governments.
2. The proposal would also take a significant step toward consolidating programs which are now distributed over several Federal agencies. This would enhance the efforts at the State and regional levels to look at the solution of some of the rural development problems on a comprehensive basis and broader basis.
3. The grants under the program would be 100 percent Federal money. This is an advantage for rural local governments which are hard-pressed to find matching funds to take advantage of Federal grant-in-aid programs. Many of the rural areas in this country are economically depressed and can effectively participate only when 100 percent Federal money is made available to them for these purposes.

At the same time, we find certain shortcomings to the rural revenue sharing legislation. Succinctly stated, they are as follows:

1. The legislation does not adequately recognize, in terms of money needed, the magnitude of the problem at the rural level. It is too modest. The authorization levels of funding should be substantially increased.
2. The bill does not adequately require the State to interrelate its urban and rural developmental policies. Of necessity, these two policies must complement each other.

3. The formula for distributing money to the State is essentially on a population basis. A need factor should be included in the formula, so that those local governments in the most economically depressed rural areas would be given some priority in the allocation of funds.

4. The program does not suggest or require an implementation component. We feel that planning is an appropriate activity only when it results in concrete projects and activities. Therefore, we would suggest that certain performance or implementation requirements be attached to both the State's rural development plan and the regional plan.

CONCLUSION

We hope these comments and observations will be of assistance to the members of this subcommittee during your deliberations. On behalf of the National Service to Regional Councils, I want to once again express our appreciation for having this opportunity to appear before you.

Thank you.

Richard Hartman, director of the National Service, and I are available to answer any questions you may have.

Senator HUMPHREY. I understand Mr. Hartman is the executive director.

The thrust of your testimony, as I get it, is the importance of whatever legislation we have here in the Congress to be tied into the multijurisdictional aspects of government?

Colonel HAGERSTRAND. This is the thrust of it.

Senator HUMPHREY. What you are saying in substance here, even on the revenue sharing plan is two things: that there needs to be a closer tie-in in terms of how things complement or implement each other, and second, you want a kind of performance record, too?

Colonel HAGERSTRAND. Yes. Planning is one of those things, you know, that people do sometimes when they find that they are unable to do anything else.

Senator HUMPHREY. You just do not want to study it. You want to get some action?

Colonel HAGERSTRAND. There are times we need to suspend planning, stop it here and go to work, in essence.

Senator HUMPHREY. You heard the testimony of the previous witness from Charles County, the HUD loan approval that related to new communities and the failure of the HUD agency or the Federal officials to take into consultation or into consideration any of the county officials. Have you found that to be somewhat unusual or is this about the way things go?

Colonel HAGERSTRAND. Well, I can only speak from personal experience.

Senator HUMPHREY. From your observation?

Colonel HAGERSTRAND. Essentially this is true. However desirable HUD may be in its local offices of making contact with local officials, there are many complications that enter into this, and very often at lower levels they do the decisionmaking before it ever gets to the appropriate HUD official or the appropriate county official.

When it reaches the appropriate level of government the decision is already made and you have very little maneuver room that you can back into. Therefore, you have to go ahead.

Our proposal is essentially to establish planning on the regional basis and much of this type of thing would be eliminated.

Senator **Humphrey**. Now, you are familiar with HUD's program under section 701, the planning program for nonmetropolitan areas. How does this work with your regional council?

Colonel **Hagerstrand**. Well, the HUD planning program—and correct me if I am wrong—essentially makes a grant to a city or community. That city sort of plans in absentia, absents itself from the area around and has a plan and stands to what the level—our little community, for exmaple, went out about 3 miles. The city has already expanded way beyond the 3-mile area. There is some day a day of reckoning when we will have to absorb these totally unplanned areas into the larger community, and it will take four to three times the effort at that time to have a reasonable adherence to standards as it does now.

Senator **Humphrey**. Is your regional council capable of doing this kind of planning?

Colonel **Hagerstrand**. We are doing it in many places, Senator.

Senator **Humphrey**. Would it not be desirable, then, for HUD to be able to make district grants to your regional council?

Colonel **Hagerstrand**. Well, you are talking now for implementation or planning?

Senator **Humphrey**. For planning.

Colonel **Hagerstrand**. Yes.

Senator **Humphrey**. For planning?

Colonel **Hagerstrand**. Yes.

Senator **Humphrey**. Do you get any HUD grants for planning?

Mr. **Hartman**. On the 701 program over the years that you and Senator Bellmon have been in Congress it evolved from a comprehensive planning program which eligible recipients included everyone from the smaller counties, cities and to regional agencies and to States for plans, and many regional councils, something like 150 of them, now receive 701 planning funds from HUD.

Now, this is part of where the testimony Mr. Hagerstrand gave tries to get to. What is happening is from your district to try to get HUD funds which goes to the State which makes an application for across-the-board 701 funding, not only for regional council, but all local units of a regional council in a State. Then these 701 funds back to the State or district for local planning.

The metropolitan areas still deal directly with the 701 program. But the other program besides everyone being eligible to receive funds and no coordination is that the 701 program and HUD have begun to set their own priorities of what they want to see happening, such as housing, water and sewer, planning and development, open space and those types of activities. So that the 701 program is not blue money or does not really support a coordinated planning system in this country which relates to all the functional programs.

Senator **Humphrey**. It is related to the action program?

Mr. **Hartman**. Of HUD.

Senator **Humphrey**. As established by HUD rather than flexibility of the funds related to regional funds where you could take in Federal financial education needs, the whole thing.

Mr. **Hartman**. Or set your own priorities.

Colonel **Hagerstrand**. Or set your own priorities.

Mr. **Hartman**. Or whatever programs of the Federal Government you want to move at based on your goals and plan for development of the community.

Colonel **Hagerstrand**. We operate an economic development district in Oklahoma. It does not receive district planning funds. We receive funds from the crime law, for example, for crime prevention planning, funds from HEW for comprehensive health plan, we receive funds from the Department of Transportation in one case for a transportation study of one of our communities as a pilot program.

We are actually in the business of going shopping for planning grants for specific things, and the only way we can approach this on a comprehensive basis is to sort of fudge a little bit on the particular fund and say well, this obviously comprehensive health plan spills over into so many of these various programs that we can relate it. But there is nothing that gives us the money to plan on a broad comprehensive basis.

Senator **Humphrey**. This is why you think this sort of program ought to come out of an office, the Office of the President, so to speak?

Colonel **Hagerstrand**. Yes. This is one of the reasons.

One of the recommendations you made was that such a program—speaking of developing new programs for assisting the States, regional councils and local governments to undertake this planning and management function, such a program would be administered outside the control of any of the functional or departmental agencies of the Federal Government. Indeed, it would be established in the office of the President, possibly within the domestic council framework?

Colonel **Hagerstrand**. Right. This is one of the reasons, of course, is the larger contention involved there also in which the implementation of your planning is controlled by a series of separate Federal agencies, each with a particular interest.

Senator **Humphrey**. Right. You cannot get all that money at the same time and you have to make separate applications?

Colonel **Hagerstrand**. Yes.

Senator **Humphrey**. One limitation I call your attention to, it is easier for separate agencies of the Government to get their own budget and you maybe get more overall planning funds if you add up each agency and the planning funds that you can apply for your local needs than if you put all the planning funds into one composite agency for planning and management. If you had all of your planning funds in one agency I have the feeling that Congress would be a little more tightfisted with that one agency than it would be with several separate ones.

Colonel **Hagerstrand**. I think it is a very practical application in political realities.

Senator **Humphrey**. I wonder if we could not do something like this: as an ad hoc arrangement or interim arrangement, is that if you can have one general application in which you ask for funds from several agencies in the one application at the same time for planning.

When you are going to take a look at the transportaton needs, the water and sewerage needs, the housing needs, the open spaces needs and so on, there is no reason that you could not have one application that could be processed at a central point like the domestic council. I used to work in this framework somewhat, when I was the liaison at the White House with local government. Actually, Senator Bellmon, when I was Vice President, my office used to handle this kind of activity. We would get in piles of paper, you know, and trying to expedite each one of these applications.

It would seem to me if we could get one application where there could be one catalyst or one agent that really just got a hold of HUD, HEW and Commerce and Labor and so on, and said, now here is your share, and we got the total planning grant, your share is 25,000, your share is 100,000, your share is 10,000, and you get a total planning grant, let us say, $185,000 to $102,000 out of several agencies, how some one force or some one personality or office could do that in the Government.

Colonel HAGERSTRAND. I think this is probably—certainly a way of getting at the problem now under laws.

Senator HUMPHREY. Under existing——

Colonel HAGERSTRAND. Right.

Senator HUMPHREY. I think we might want to take that up with the Office of Management and Budget sometime. Of course, they like to keep their hands on things pretty tight.

Mr. HARTMAN. One point is, Senator, you might not have to cut off substantial planning funds for hardware type programs of the various agencies. But if there was say 5 percent of a general planning fund which the President or the executive council had control of, that 5 percent might control the other 95 percent from the functional programs if you had such requirements as allowing local communities to set up their plan, like in Charles County, but before you can get that money your projects or planning has to fit within that framework. So that 5 percent could be the linkage which in a way forces the functional money to tie in.

Senator HUMPHREY. Well, any practical suggestions that you have along this line we will be glad to receive in the form of memorandum. Just let your mind run loose sometime and put down your thoughts.

Senator Bellmon, excuse me for keeping you waiting.

Senator BELLMON. Thank you, Mr. Chairman.

On page 3 of Mr. Hagerstrand's statement is his concern that there is not appropriate Federal Government support for planning and management. But I recall back to the days I served as chief executive of Oklahoma we had some dealing with the 701 funds, and it was a very common thing, it seems to me, for a self-appointed planning expert to go to a local community and sell himself as a planning expert and gather a bunch of generally meaningless statistics from census sources and other readily available places and put an attractive cover on it and work up a few high-sounding phrases and sell it to a local group for $30,000, $40,000.

Generally the plan was not worth a dollar a pound.

How do we get away from this sort of business?

Colonel **Hagerstrand.** Well, as a personal opinion I think that the trend toward regional governments or regional councils, one type or another, will minimize this type of thing, because obviously the larger the region or the more people concerned with this kind of activity the greater degree of sophistication you bring to this kind of program. If there is a requirement that any planning funds be at least considered by a regional approach or regional council, then there is a harder selling job for this corporation that you are talking about in terms of any community, as well as the fact that if somehow or other, as we propose essentially that the money be placed in a regional basis rather than local or at least consolidated or controlled or influenced or whatever level is practical, then I think it will minimize this kind of thing.

Senator **Bellmon.** You are saying that the planning funds if available for planning in the region you know about should not go directly to the city of Tahlequah or Muskogee or Claramor or Miami but rather to the region, and you would engage someone to do planning for the total region; is that your thought?

Colonel **Hagerstrand.** It could be interpreted that way. The city of Tahlequah is one member of government of eastern Oklahoma economic development district. The board of that district is composed of representatives of the various governments involved in seven counties that make up the district.

We have no authority, for example, of any kind insofar as implementing actions are concerned. All we can do is to sell you, Senator, as a member of that community, as an elected official of this community on the need for considering not only the needs of Tahlequah but of Cherokee County around it and where Cherokee County spills over into Adair County the same kind of problem, transportation, for example. As an example, we are involved in a comprehensive health plan. Every community wants a hospital. This seems to be inherent in the community, regardless of its size, that they want a hospital. Well maybe this is not the way we ought to look at it. Our community is spending some money right now. Wagoner, as you know, is spending some money right now planning hospitals. I am not sure when either of these communities get finished with this they will have hospitals that are worth anything more than just a little clinic type thing.

What we need to look at is the overall problem of health planning. Maybe one regional hospital, you see, will do all the job.

Senator **Bellmon.** You may remember when we write the Vocational Education Act for Oklahoma we required before a community could have State funds they had to have at least 40,000 people and about $40 million worth of evaluation. Perhaps before any community could qualify for these Federal planning funds they should meet some kind of criteria. It is so easy for a con man—and that is what some of these operators are—to come to each individual city council to sell them a bill of goods, and when they are through there is nothing of real value that results.

What I am asking you really is. Do you know of any way that we here in Congress can write into these laws proper protection against the kind of mistakes that I think are fairly common across the country?

Colonel Hagerstrand. There is always the problem, of course, of local jurisdiction and the attempt to bring government at higher and higher levels all the time. It is very easy to do away with a local government by either assimilating it into a larger corporate-type government or some other mechanism. I am personally in favor of any kind of a device that would prevent what you are talking about, but still leave some measure of responsibility at the local level.

Tahlequah had exactly the same problem that you are concerned with. We had a 7-to-1 planning grant. The study was made about 6 or 7 years ago. It is not worth beans and it never has been worth beans. It was sold, as you indicate, to a city council on the basis that here is a rapidly growing community, but it turned out to be nothing but—the study turned out to be nothing more nor less than a compilation of statistics on what had happened in the past, not necessarily where are we going from here.

It did not relate to future needs except in a few very obvious ways, like in the sewer plant, something like this, that everybody knew about, because the sewer plant was polluting the streams.

What I am getting at is there needs to be a balance between where the larger unit, whether it is a regional council, State or anything else, interfers with the desires, the hopes, the aspirations of the local citizens.

Mr. Hartman. Can I give you two or three other quick checkoff ways.

One is HUD now requires with a regional agency that it have a full-time staff person before they will give them any 701 money, which sort of protects you.

Then you have got your lawyer in court who will ascertain whether that consultant really is going to do the kind of job that needs to be done for that local community.

The State could do this, too, for the smaller communities in terms of—I see nothing wrong with the State having a checkoff or saying, you know, checking and saying that the local jurisdiction we think this is a good idea and the framework you want to do it and the consultant makes sense. I think those are ways—and performance standards, I think, requires that this plan lead to something, for example, I think a realistic on the part of the State or Federal Government who are providing the grant funds.

Colonel Hagerstrand. I think there is also another factor here. Each of these Federal agencies, HUD and any other Federal agency with a functional approach is looking primarily at their particular involvement, and while 701 planning grant is designed for overall planning, there is very little spillover into rural areas, for example.

I do not know how this can be brought into the picture.

Senator Bellmon. I am not sure I can give you the name, but at one point, about 1964, 1965, there was a requirement on the part of the Federal Government that a comprehensive highway plan be developed for each city, and before a city could qualify for those funds they had to become part of—I am not sure——

Mr. Hartman. Highway Act of 1962.

Senator Bellmon. This requires all the towns around the city, what you call SMSA, what is it, standard metropolitan statistical area. They had to all get together and agree that this is the way they are going to handle the planning. I wonder if we do not need something like a standard rural statistical area so that when a planning grant is applied for and made it is going to concern itself not just with the problems of one town or county, but with what is some kind of sensible regional component.

Does this make any sense to you? I was terribly distressed—in fact, I believe very strongly in planning. I do not think I could ever vote for a dime of planning money if it was going to be used in the way I have seen so much of the 701 funds used.

Colonel Hagerstrand. There is another problem, of course, in the same area involving multistate jurisdictions. In our State we have Fort Smith, Ark., which is in Sequoia County, as you know.

The problem there is how do we relate Fort Smith planning to the area just across the State line involving Sequoia County.

Senator Bellmon. These SMSA's do not pay any attention to State lines?

Colonel Hagerstrand. No, but the planning money does.

Senator Humphrey. I think your point is well taken, Senator, that it is surely something we ought to look into of having some standard rural operation or what is that—standard rural statistical information. I think that would be very helpful.

Colonel Hagerstrand. I don't know how it could be developed. I think this would require certainly study and consideration so that small isolated rural areas were not excluded completely, because they certainly need assistance, also.

Senator Bellmon. I would imagine if this concept could work that it would involve every rural area of the country in some of the components.

Mr. Chairman, this is all the questions I have.

Senator Humphrey. Well, anything else, Senator?

Senator Bellmon. No, sir.

Senator Humphrey. Thank you very, very much. You have been very helpful.

We have three witnesses, Mr. Pringle and Mr. Jefferson Monroe and Mr. Bloch. Right. I believe we have Alabama, West Virginia, and Indiana represented here for the National Association of Community Developers.

Please just come in and sit down with us.

You have separate statements, gentlemen?

STATEMENT OF JOHN BLOCH, EXECUTIVE DIRECTOR, BROWN, BARTHOLOMEW, AND JACKSON COUNTIES COMMUNITY ACTION PROGRAM, COLUMBUS, IND., ALSO REPRESENTING THE NATIONAL ASSOCIATION OF COMMUNITY DEVELOPMENT

Mr. Bloch. Yes, we do. We feel in the interest of time if these statements could be entered into the record we would like to make some summary comments.

Senator Humphrey. That would be very helpful to us.

Mr. Bloch. I am John Bloch from Columbus, Ind. I am the execupoints.

Senator Humphrey. We will include all in the record, all your statements, and then you proceed as you wish in your own way.

Senator Bellmon. Before we begin, could we have our witnesses introduce themselves?

Mr. Bloch. I am John Bloch from Columbus, Ind. I am the executive director there, also a member of NACD, National Association of Community Development, which has invited me to participate today in the hearings, and I am also a member of another national development institute, which is a private group out of Lexington, Ky.

I have worked extensively in rural areas, and I have primarily some questions which I would like to address to the committee. Some of them are going to be—I think, an act that grows a little hairy.

The first is when I hear over and over again in other material and in terms that I read that we must bring about planning in rural areas in order to bring it in line with what has taken place in the urban areas I am distressed. I am distressed because the very reason people choose to live in small towns in rural America is because they are distinctly different from urban America, not better, not worse, but different. It is sort of like the old boy that had goats and the old boy that had cows. You know, it wasn't that one was better than the other, they were just different. That is the way it is between rural America and urban America.

When you talk about forcing or pushing rural America into an urban mold I think that we raise some very, very serious questions, planningwise and developmentwise.

It is sort of like opening a hotdog stand in the middle of a national park, because you have got a hotdog stand down on the intersection of the road or down in town. It sort of does away with the original intent of having that park.

When we talk about growth centers of 200,000, as the book that has recently come out suggests, then we are doing away with the uniqueness that separates smalltown America from urban America or suburban America. I think that if we are sincere—and I am distressed by the number of Senators after the hearing was called that showed up to hear the testimony—if we are sincere in making a real effort in the area of rural development that we not wipe out the very thing we are trying to develop and that we understand the fragility of the quality of life that does exist in rural and smalltown America.

I, second, am concerned that we talk about people and get the dickens away from bureaucrats, bureaucracies, and departments, although I realize they are the handmaidens that get those things out there, because we are really talking about the preservation and the future development of a group of people that happen to live in a rural or smalltown area.

I have heard today, and I have heard in the other committees and organizations I sit in great, long, hot debates about how to preserve this jurisdiction or that territory or that chunk of money.

Now, to date rural development is surely a second cousin of what is happening in this country. Rural people are third or fourth cousins.

When I say, you know, this thing about cousins, it is sort of a country thing that people understand.

If we look very hard at the statistics and particularly the hearings held here in early May, late April, and the Agriculture Department supplied you with some statistics, and start looking at independent statistics I think you will come up with a very shocking figure and that figure is as follows:

The Department of Commerce in July of 1970 calculated that $6,350 per annum is required for a family of four to be self-sufficient in nonmetropolitan Indiana. If we take that figure as a conservative figure it will then become apparent that in excess of 50 percent of the rural residents of America are living in functional poverty, if we are going to talk about functions. Very few, if any, poor people make their living farming any more. If somebody wants to question that they can check out the farm subsidy report.

Therefore, when we talk about that break between farm and nonfarm poverty incomes it is barely a bureaucratic mechanism. It is not reality.

When we realize that fully 50 percent of rural America is operating at functional poverty and it cannot afford effective housing, health, transportation, education, then I think the problem of rural development takes on a different kind of connotation.

I think that government, local government, Federal, in my experience has fallen down miserably in discharging its duties to the citizenry of rural America, because rural America is governed by a minority, a very distinct minority, and it is a landholding gentry. I do not want to hear about local government doing this and that, because every county I have ever lived in from Fauqier County, Va., from Washington County, Vt., to Brown County has been controlled by less than 3 percent of the population.

The political power and the economic power, if we look at some studies that are coming out, are one and the same. What we have is cartels of landholding either by the Federal Government and Federal-State forest or by large farming units. We have killed off the family farm. It is an American myth. It is not there any more, gentlemen.

Senator HUMPHREY. Have you been in my county?

Mr. BLOCH. I have not been in your county. I know some people in Wisconsin, but not Minnesota.

Senator BELLMON. How would you define a family farm?

Mr. BLOCH. Under 300 acres, mainly to be operated by the family through mechanization without the hiring of more than say two other outside people at the peak of harvest.

Senator BELLMON. Two other outside?

Mr. BLOCH. At the peak of—the statistics show that the family—excuse me, the small farm acreage has jumped from approximately 347 acres in 1960 to 1970 to in excess of 500 acres. That is a lot of land for a man and say one or two sons to be operating.

Senator BELLMON. Suppose this man and his one or two sons, using modern equipment, could handle 1,200 acres, is it still a family farm?

Mr. BLOCH. Well I think if the man is able to do it and I believe, for example, in cattle operations we are talking about a different thing.

Senator HUMPHREY. Or wheat?

Senator BELLMON. Or corn?

Mr. BLOCH. When we are talking about cultivation——

Senator BELLMON. With chemicals there is not much cultivation any more.

Mr. BLOCH. My point is this: The Government's policy has worked against the small farmer. It has pushed him—the economy of farming as supported by Federal policy has done away with the man having a viable 200-acre, 300-acre operation. He has had to go to larger acreage. The 97 percent of the subsidies are going to the vast majority of agribusiness, not to the family farm. For example, sir, in my State of Indiana, 50 farmers in 1969 got $2.1 million in subsidies. Now, in the——

Senator **Bellmon**. What was the total for the State?

Mr. **Bloch**. About $24,400,000.

Senator **Bellmon**. You mean they got all but 15,000?

Mr. **Bloch**. No, sir, not 15,000, 400,000. It was about 21 went to 50. This was in the Congressional Record of May 21, 1970.

Senator **Bellmon**. Let us get it straight. How much total for the State?

Mr. **Bloch**. Roughly, about 2.4 went into the State.

Senator **Bellmon**. 2.4 in the State?

Mr. **Bloch**. And 2.1 went to 50 farmers.

Senator **Humphrey**. You are talking of price supports?

Mr. **Bloch**. That is correct.

Senator **Bellmon**. Mr. Chairman, that is impossible.

What State was this?

Mr. **Bloch**. Indiana, May 21, 1970, Congressional Record will show it.

Senator **Bellmon**. 2.1 went to 50 farmers?

Mr. **Bloch**. Yes, sir, the rest were small breakdowns. 10, 15,000, then it just dribled down, it fails right off, like walking off the end of the table.

Senator **Humphrey**. The support program, there is no doubt in the past, before we put on the limitations is——

Mr. **Bloch**. This was prior to the legislative acts.

Senator **Humphrey**. But the large farmer is where the large amount of the support funds go. That was predicated on the proposition of the assumption that if you were going to control production with a support program you had to go to where most of the production is.

Mr. **Bloch**. That counter theory say we let the free process get started.

Senator **Bellmon**. I agree, this is not the time or place. But I agree this is an area you ought to understand better.

Mr. **Bloch**. I will be happy to supply a copy of the record.

Senator **Bellmon**. We are going to get it. But the point is the intent of Congress has been to help the very family farmer you are concerned with, but the thing I think you need to understand is because of the very low level of profits in agriculture, farms have to get larger in order to return a reasonable living to the farm operator and to give him full employment. With 130-horse power tractors it takes more acres.

Mr. **Bloch**. Or we break up the processing cartel, such as Kern County Land Co., and some others, and get back to where we have regional distribution and we do not allow the profits to go to the processor but stay with the man who produces the produce.

Senator **Bellmon**. Do you know how much of the land of this country is run by so-called corporations?

Mr. **Bloch**. About 7 percent by 30 percent of the leafy vegetables produced.

Senator **Bellmon**. 7 percent. That leaves 93 percent still in the hands of the private operator?

Mr. **Bloch**. That is correct.

Senator **Humphrey**. Thank you, Mr. Bloch.

Your prepared statement will be placed in the record at this point.

Mr. **Bloch**. Thank you, Mr. Chairman.

When I use the word rural I mean those areas which are commonly classified as small towns and open country. The rational for this definition is based in by having grown up in a rural area, and having worked professionally in rural areas for the past 12 years. Current definitions regarding rural areas are becoming so highly qualified and ambiguous that they have little validity and/or guiding value. Therefore, I am asking this committee to bear with me in this definition of rural areas, and not to become bogged down on precise definition.

As a result of the above definition of rural areas, any effort in the area of rural development should increase the viability of small towns and open spaces, not to destroy these areas through the creation of urban growth centers.

The concept of rural development is important to a significant proportion of the population of the United States. There is a significant rebellion against the urban and suburban way of life by both blue collar and college educated people alike. The fact that employment and services are concentrated around urban areas stems the tide of people into rural and small towns where they would like to locate.

The primary Federal agency concerned with rural development has been the Department of Agriculture. Historically this agency has been concerned with the business of providing food for the Nation. It has therefore concentrated its efforts on the development of farming interests.

Only recently have programs been developed (primarily in the area of housing and facilities) to aid nonfarm rural residents. (In fact until quite recently nonfarm rural residents were barred by law from participation in those programs.)

The influx of capital and comprehensive rural development programs has been pitifully lacking. Consequently, rural development, such as it is, has been left to the hands of the farm interests and, thus, has been geared to the strengthening of the farm interests at the expense of the nonfarm rural resident, who comprises the vast majority of rural residents.

With 75 percent of the population currently concentrated in the metropolitan areas, it has been politically expedient to pay only lip service to the needs of the people of rural and small town America. Evidence of this can be seen in the almost total disregard to The People Left Behind, the report by the President's National Advisory Commission on Rural Poverty, by both Presidents Johnson and Nixon.

To cite but one glaring example of this failure, the Office of Economic Opportunity appropriations which were designed to deal with poverty in this country, devote 70 percent of their moneys to urban poverty when urban poverty involves only some 40 percent to 50 percent of the poverty population in this country with the remaining 50 percent to 60 percent being in rural and small towns across the country.

Further, these programs were designed by and large by urbanists and for an urban population. So, even the 30 percent of the funds which go to rural poverty are basically urban programs.

The attempts of State and local government to deal with rural areas have been to force the rural areas to conform to the urban mold. An example of this process is the consolidation of the rural school districts to conform to their urban counterpart. But today in urban areas decentralization, greater local control, and smaller governing units are being advocated. With communication technology, as an example, the case for consolidation is fast losing validity in rural areas also.

There is a lack of creativity in the governing of rural areas due to the abdication by the Government and the controlling interests in rural areas of the responsibility for creative and sound rural development based on human needs. It is difficult, if not impossible to attract creative people to rural areas because of a lack of financial resources and a lack of philosophy of social development. Instead of a human development policy for all in the rural areas, we have currently a land development policy geared toward expanding and strengthening agricultural interests of a few.

In rural areas, much more so than in urban areas, government is close to the people. The actions and policies espoused by these few who control the wealth have a direct and often times detrimental effect on the majority of the rural population. This is entirely understandable given the fact that the wealth is so closely held and hence political power rests in their hands.

Perhaps only through government intervention can the resources be made available to the majority and again allow for the equal distribution of power. Unless efforts are made to reverse the current trend the deterioration of the rural areas for nonfarm and small farm residents will continue until we reach the point where most rural areas and their resources will be held by vast corporations subject to little, if any, government control, and the Federal Government will hold the rest. At the same time ever increasing crowding will continue in the urban centers whose problems to date have defied solutions.

I would like to impress upon you some of the crucial problems that are encountered by people by living in rural areas and small towns, and some of the offsetting benefits gained by living there.

INCOME

Sixty percent of the people in poverty live in rural areas and small cities. Forty percent live in rural areas. The per capita income in rural areas is $1,200 less than in urban areas where it is $3,800 per year. It should be pointed out that, although the poverty index indicates that there are some 20 million poor, there are perhaps a like number of people who do not have an income of $6,500 for an adequate but lower standard of living.

It should be obvious that given the state of agricultural enterprise, the poverty of the rural areas cannot be alleviated through agricultural solutions. As it is, the government must hold back the production capability through the use of its subsidy program. A much more profitable use for the billions of dollars which go into the subsidy program would be to seed nonfarm economic development in the rural areas in keeping with my definition of rural development.

Another strategy which will have the same net effect is a policy of moving big industry into the rural areas while directing industries financial resources into the cities. This development strategy of "branch plantism" leads to a further raping of small towns and rural areas. Instead small to medium sized locally held business appropriate to these areas should be encouraged.

HEALTH

The rural housing need and the failure of the Federal Government to provide asisstance is well documented by the Select Committee on Nutrition and Human Needs in their report, Promises to Keep: Housing Need and Failure in Rural America. They state that, "two-thirds of America's inadequate housing is in rural areas." They go on to say that, "our official housing goal of 26 million units over a 10-year period is far too low and could be as much as 45 million units." Over the last 33 years only 489,000 federally assisted housing starts have occured in non-metropolitan areas. This effort has been totally inadequate, and there seems to be no major changes in the offing.

In referring to the Farmer's Home Administration the Committee reported:

> In sum, there are millions of Americans who are getting "homes" unfit for human habitation from slumlords, there are millions who are denied public housing, and there are millions who cannot overcome the arbitrary and illogical hurdles erected by FmHA. All are living in substandard housing that threatens their health and safety.

But housing itself is not the answer. Residential land use in rural areas must be considered along with the ecological factors of using the rural areas. Facilities must be planned for in a rational way to provide a functional blend of residences and services. To date, scattered site building and tract housing have been the rule.

EDUCATION

In our area of Indiana, we have a 25-percent dropout rate before high school graduation. In other parts of the country, the situation is much worse. The expenditures for education in metropolitan and nonmetropolitan areas was reported by the Committee of Government Operations in "The Economic and Social Condition of Rural America in the 1970's"; their report showed a $600 per pupil expenditure in metropolitan areas as opposed to about $480 in nonmetropolitan areas. The report goes on to illustrate the discrepancy in educational attainment for those in rural areas.

But the statistics do not tell the total story. I am concerned with the quality of the educational experience. For example, rural education is still geared toward agricultural subjects, while only about 32 percent of rural people are engaged in farming, and the percentage is decreasing. Charles Silberman in "Crisis in the Classroom" has documented in great detail the failings of education. He has also proposed an alternative to the present programs, and there are others.

In line with my earlier comments, I believe that two major reforms are required: the decentralization of the consolidated schools, and the return of control to the parents and general public.

OTHER SERVICES

There are other critical needs in rural areas. Transportation, especially among the poor and the near poor, is a critical problem in getting to services and jobs. Among services, I would list access to consumer markets, banks, and other commercial institutions. Utilities continue to pose a serious problem. Lack of safe and sanitary water and sewage systems causes severe health problems. Communication in rural areas is a critical problem. The smalltown papers are facing a critical period, caused in part by the poverty of rural areas, but also by the increase in postal rates which are biting severely into their already meager profits. Television is slanted to the metropolitan areas from which programing originates. Radio, although not as viable as it was, offers some hope if preferential treatment were given to AM community-owned-and-operated stations.

BENEFITS

Perhaps the single most important benefit of living in a rural area is, as Daniel Boone used to say, "plenty of elbowroom." Open space seems to be an important commodity to many Americans. Urban residents flock in droves every weekend to rural areas. They pay a premium to spend their vacations there. State and national parks crawl with city dwellers to the point that reservations must be made a year in advance. Rural living seems to answer a real need for one-fourth of our population.

The sense of community that exists in small town and rural areas is still strong. It is common practice for neighbors to help one another. In some geographical settings in which rich and poor live in close proximity, there is a spirit of cooperation which I do not see in urban and suburban areas. It seems to me that this spirit of community is extremely critical to the mental well-being of all Americans.

In rural areas, the costs of development are still less than in urban areas. In most areas, a man can buy an acre of land without signing his life away. He can build equity and dignity through homeownership at reasonable cost to him and his family.

Finally, there is a promise for the future in rural America. The government is close to the people, and population densities are not so great as to have caused the social problems so common in the cities. Crime rates are significantly lower, as an example. The environment has not been fouled by air and water pollution to the degree the effects are irreversible. If and when the resources are appropriated to rural areas, it is my belief that these resources can purchase the talent and wherewithal to make rural and smalltown America a desirable place to live for our children.

Senator HUMPHREY. Yes, sir.

Would you identify yourself, please.

Mr. MONROE. Jefferson Monroe, an assistant to the president of the Federal programs, West Virginia Institute of Technology.

I will not talk about farmers. You know West Virginia well enough to know that.

STATEMENT OF J. JEFFERSON MONROE, ADMINISTRATIVE ASSISTANT TO THE PRESIDENT, AND DIRECTOR, FEDERAL PROGRAMS, WEST VIRGINIA INSTITUTE OF TECHNOLOGY, MONTGOMERY, W. VA., ALSO REPRESENTING THE NATIONAL ASSOCIATION OF COMMUNITY DEVELOPMENT

Mr. MONROE. I probably have more suggestions or thought to present than real answers, particularly in light of attempting to help you in the preparation of legislation. But maybe a little like John in suggesting some feelings in having dealt with housing and urban development, OEO, HEW, title I, and all these other agencies.

It seems to me basically somehow or another we have got to have heavy Federal funding for rural areas. If we can supply the proper kind of health, the proper kind of public services, the proper kind of educational institutions in rural areas, we do not have to worry about the growth policies. People come back to the country because that is where they want to live anyway..

A lot of them I talk to in the cities say they wish they were back. They are not there because there is no jobs there, and somehow or another jobs have got to be developed there.

I heard you on Arthur Godfrey's program the other day when I was on my way to work saying the welfare structure needed to be dealt with and the people who were able to work should be working.

Senator HUMPHREY. But you have got to have the jobs.

Mr. MONROE. We have got to have jobs. In West Virginia we do not have them, except the highly technical skills of the mine in this day and time, and no mining company is going to put a 45-, 50-year-old man who has no skills in machinery on a million-dollar piece of equipment to go into the mines. They have got to have a man that is trained to go into there.

Senator BELLMON. In the same context, it is hard to get a farmer to put one of these folks on a $12,000 combine.

Mr. MONROE. Right. The same thing is true.

It seems to me we have missed the boat in that we have not given money in rural areas to do the job that needs to be done. Let me explain: under Headstart in the Elementary and Secondary Educational Act we found paraprofessionals can be very meaningful when used in educational systems. But local rural areas still do not have the kind of money to put those sorts of people in through a training program and into that educational system.

Another thing that concerns me greatly is the fact that we have so much—not only a hodgepodge of Federal programs, but a certain amount of hostility and frustration between local people and what would be considered bureaucracies and the political leaders at the same time. Everybody is blaming everybody else for the fact that nothing has happened.

Yet I know that the bureaucrats are not mindless bureaucrats. They are people supremely concerned. I have worked with enough of them in the Federal Government to know they very desperately want to get a job done. We have never had the commitment, it seems to me.

What I suggest in this paper is something I found out later I think you, Senator, or somebody on the Hill here has also suggested, and that is a rural economic development bank. I am suggesting approximately $20 billion that could be put in that in order for us to begin to develop things on the local level and some sort of mechanism where the local people themselves—either an elective process or something where they can put their own folks into actually dealing with the local problems.

Senator HUMPHREY. Surely. There ought to be some of them on the board and they ought to be on the advisory councils concerning loans and loan policy.

Mr. MONROE. Right. My staff tells me the only problem—what I said here when I discussed it with them—it was that you got to go two routes, either the practical route or the political route in his world. I still say that somehow we have got to get them together. In other words, there has got to be some way that it can be feasible for the participation of local people and someone on the local level to deal with that can cut around some or all of this paperwork and get things out.

I guess probably if you happen to have on the local scene a concerned hard-working Farmer's Home Administration guy, that comes about as close as anything. They are there, they can do the job, you know.

Senator HUMPHREY. And they know the people and the area.

Senator BELLMON. If they have got the money.

Mr. MONROE. If they have got the money.

Now, they have got to have the money.

It seems to me all of these questions—and I do not happen to think that rural revenue sharing or any sort of revenue sharing is going to be the answer, because—well, in some areas in my part of the country we do not have much to share. But I just cannot see that kind of system, but at the same time I guess I am talking about revenue sharing in another way when you say that the Federal Government needs to put the heavy block of money down here for these local people to be used.

I have not got it all worked out in my own mind how you cut through all that tape, but that kind of thing has to happen.

It seems to me at that point when rural America sees that the Congress is going to make the commitment of millions of dollars to go into rural America that then the people of the hills where I come from will quit wondering whether or not Congress and agencies can function or not. They will begin to see they can. They will also see our Government has a great trust in them.

I would like to see somehow an end come to just absolute frustration on the part of the hill people who try to figure out all of the different Federal agencies and just finally throw up their hands and give up and say they just cannot make it.

Senator **Humphrey**. Your suggestion on the kind of implement that ought to be made available is very helpful. My wife and I, for example, have been long interested in this kind of paraprofessional group, I mean, the aids that you can have in Headstart and school. These people are very good with some training, but you cannot put them possibly into a highly sophisticated industry, on a very sophisticated piece of machinery. That is maybe not their thing.

But we have to have some idea as we look at the gross national product of this country that all of that gross national product does not have to be industry, does not have to be a service job as such, it can be many other things where people can get employment that they really need.

Mr. **Monroe**. Right. I am suggesting that we quit worrying about whether or not it is economically feasible to put money into rural areas, but we put money in there. Every study that is ever made of whether or not to have a water system or not is whether it is going to be economically feasible.

A little town of Smithers across the river from me, they have got a sewerage system the Government gave them but they cannot pay a man to operate it now that they have got it, because the mayor runs the garbage truck. You know, the little towns are in that kind of plight. We did this in the early thirties.

We decided it was feasible to spend money on jobs for people in rural areas.

Senator **Humphrey**. That is where your public service employment comes in.

Mr. **Bloch**. The FPCT rural towns would be cut out when we tried to bring some money in because of various political forces or other, primarily because the programs were designed with an urban mold to them.

Senator **Humphrey**. I agree wtih you one of the great problems we have is that most of the people that design programs do not design them where a large number of people live. It is not meanness, it is not that they are evil or conspiring. It is just their background is different. They have not sensed the kind of relationship that exists at some of these smaller town levels.

Mr. **Monroe**. They think milk comes out of a carton.

Senator **Bellmon**. Mr. Chairman, I am going to have to leave.

Senator **Humphrey**. Yes.

Senator **Bellmon**. I would just like to say to Mr. Bloch, if you do not mind, I am going to get the figures on Indiana and furnish them to you, because I think you have got some bad information somewhere.

Mr. **Bloch**. This was sent by Congressman——

Senator **Bellmon**. If the staff knows how to reach you——

Mr. **Bloch**. Yes.

Senator **Humphrey**. Please go ahead, Senator.

Senator **Bellmon**. I saw the other day a slide presentation put together by the Ozarks Regional Commission showing—you understand the Ozarks have an area that is not too dissimilar from West Virginia—showing the use of some of those very attractive areas, lakes and hills and trees for creation of retirement homes—a little more than recreation. A lot of folks I am sure living in this city are terrified by crime, by traffic. Even I am in that category. And they are troubled by rats, by air pollution, and possibly would just as soon live their retirement in some area where these problems do not exist.

You mentioned that if there was a rural development bank with $20 billion in it that there are some things you would do on a local level. What kind of things are you thinking about?

Mr. **Monroe**. That kind of project, housing projects, educational.

Senator **Bellmon**. Housing will not work unless the people living there can make a living.

Mr. **Monroe**. Right, but even the ones who are not making a living have to have a place to live.

Senator **Bellmon**. You cannot take a rural development bank and give them an income or you will be broke.

Mr. **Monroe**. I am talking about the area people being able to make decisions as to what is priority in that area and then have some sort of a committee at that bank that can determine whether or not that is the way the money should go and then go ahead and grant it.

Senator **Bellmon**. Wait—a bank for grants—I think of a bank as a place where you can go get money but give it back with interest later on.

Mr. **Monroe**. I am talking about—yes, this can be a loan, but I am talking about also the possibility of it being a granting institution. In some cases it has got to be a granting institution because the people cannot pay it back. I am talking about it being replenished by the Federal Government.

Mr. **Bloch**. Not unlike HUD arrangement with Model Cities where they do not pay that back.

Mr. **Monroe**. Where HUD now gives grants.

Senator **Bellmon**. Not to rural areas.

Mr. **Bloch**. But to urban areas. A lot of rural people need—look to the local banker who they know by his first name and he could probably loan it to them if he had it.

Senator **Bellmon**. Thank you.

Senator **Humphrey**. I want to thank you, Mr. Monroe, for your very helpful remarks.

Your prepared statement will be inserted into the record at this point.

Mr. **Monroe**. Thank you, Mr. Chairman.

(The prepared statement of Mr. Monroe is as follows:)

I appreciate having the opportunity to appear before this committee and having the opportunity to suggest a new approach to begin solving the problems of rural America. I have heard it said time and time again, "what kind of programs can we develop to solve the problems of rural America." Gentlemen, the problem is not the kinds of programs. The problem is the lack of commitment regarding financial resources and the lack of an innovative delivery mechanism.

Beginning with the New Deal and ending with the Great Society, the United States has time after time attempted to develop adequate means of dealing with rural America. The plight of the small farmer in the early 30's saw an assortment of government programs implemented which at best acted as stop gap measures. The plight of the minority groups; the blacks, the Mexican Americans, the Indians and Appalachian hillbillies have long been the stimuli for penmanship of federal programs.

The present catalog of federal programs can only be matched in size by Sears Roebuck. I might suggest, however, that the Sears Roebuck catalogue has been much more useful to the poor. When the federal agencies that attempt to implement these programs must each have a full-time legal counsel just to interpret the guidelines, it is pure folly to think that rural local groups without this expertise can cope with the arrangements. As a result little happens in rural America. In fact the very existence of this committee is proof that we must radically change our approach to rural development if something is to happen in rural America.

Past and present efforts at Rural Development in the United States have been based upon the premise that such development should be financially aided by the federal government only when it can be shown that the development is economically feasible and has a good chance of being self supporting in the future. Thus, while many water systems have been built in rural areas through financial aid from the federal government, millions of people in this nation still go without safe water or are using unreliable and dangerous water systems because it was not deemed economically feasible to provide them with good quality water.

We must, if we are going to develop rural America to a point where its people can experience a reasonable standard of living, throw out these rigid economic criteria which require that each federal investment be economically feasible on a local level. We all know the tremendous cost facing the nation if we are to solve the problems in our urban areas, and much of this cost could have been prevented if we had made an adequate investment in our rural areas in the past. We must apply this experience, and apply it quickly, if we are to reverse the migration trend from our rural areas, and the best means for doing this is to either strike down the rigid economic feasibility requirements or as a very minimum to allow for inclusion of future national cost that will occur in social programs if we don't make adequate investments in our rural areas.

Some may attack this proposal as a give away program or contend that it is nothing but a high risk investment program and is not in the interest of sound national development.

These are the people whose understanding of economics is predominately theoretical. These are the people who think milk comes from card board cartons, electricity from electric sockets, and gasoline from the gas pump. These people do not recognize that the nation's agricultural, mineral and fuel resources, which are primarily consumed in the urban areas, are the products of the people of rural America. Thus, it is my contention that a high level of investments in our nations rural areas would constitute an extremely low risk investment program when considered on a national level. Not to do so is the high risk approach. Therefore, I should focus upon what I consider the underlying problem as I mentioned in the beginning, the lack of a government commitment to provide adequate resources and the lack of an innovative delivery system that gets the financial resources to where the problems exist.

To begin solving the problems of rural America, I propose the establishment of a Rural Economic Development Fund of twenty billion dollars which would be administered by a Rural Economic Development Bank that would deal directly with poor people, community groups, nonprofit organizations, public service districts, small towns and municipalities. 20 billion dollars represents an adequate government commitment and a non-profit Rural Economic Development Bank represents an innovative delivery mechanism. The twenty billion dollars represents a two-year commitment by the government and is a small price to pay considering we have spent more than that in going to the moon and twice that amount in only one year in Viet Nam. The bank would be able to make direct loans to poor people over an extended time at a low interest rate commensurate with ones ability to pay; it could make direct loans to rural areas for water and sewage, for public facilities, such as hospitals and health centers, nursing homes, etc. It could make direct loans for community owned enterprises and in fact it could carry out almost every conceivable program idea that is listed in the present catalogue of federal programs.

One of the immediate problems in rural America is the lack of jobs and job opportunities. Under my proposal, loans would be made for the establishment of individually or community owned businesses which could employ low-income workers. Time and time again we have witnessed federal training programs which have trained the poor for jobs that do not exist. Under my plan the business would be developed for the jobs, and we would quickly see a real and long range reduction in the dependency of our rural citizens on public assistance grants. Public service and public facility programs could also employ rural citizens from their local area. Time will not permit me to dwell at length with the vast amount of potential this type of program holds for rural areas. However, I feel compelled to talk briefly about how I envision the structure of the Rural Bank. Established as a non-profit corporation with its Board nominated by the President and confirmed by the Congress, the Rural Bank would be divorced of partisan politics and hopefully thus able to direct its investments into the most desirable and worthwhile projects in a rural area. To accomplish this, its Board must be predominately rural and have significant representation of blacks, Mexican Americans and American Indians as well as the rural poor white.

The Rural Bank must be impowered to deal directly with a wide range of local entities. It must have the capability to deal directly with private corporations, non-profit groups, and public agencies and should not be saddled with a restrictive set of guidelines and check-off's at all levels of government. Its objectives must be performance and it must be permitted to take risks; if we are to expect to see anything happen in our rural areas. The objective must be very clearly articulated in the Congress' directive establishing it and care must be taken in the beginning to avoid an overkill of administrative guidelines.

The Rural Bank must be dedicated to listen to the people of rural America and to respect them as the experts on rural living and not to downgrade them as second class citizens, as our urban federal system has done with so many other federal programs. Let rural Americans for once try their own hand at solving rural problems, but share with them some of the great economic resources of this nation which they have worked so hard to develop. Yes, share our economic resources with rural America but absolutely don't attempt such an endeavor primarily through the present system of predominately urban and insensitive state and local government. Charge the Rural Bank to open the doors to the institutions and people of rural America and let their enthusiasm, common sense, and accomplishments be the standard for government to live up to.

No matter who is right or wrong in what has happened in the past causing citizens to be hostile with Federal agencies and political leaders, we must get development of rural America going without the present anger. There are all sorts of problems with what I'm suggesting but it is a thought. Is it possible to be both practical and political at the same time? We must find a way, it seems to me. People of the hills where I come from are wondering if Congress and Agencies can't function lots better than they now indicate. Won't it be a shame if any more rural people get the idea that nothing is ever going to happen?

Senator BELLMON. I apologize, but I have to leave at this time, Mr. Chairman.

Senator HUMPHREY. I understand, Senator.

We have had one of these unchartered, unplanned days around here today, gentlemen, that has upset our hearing schedule.

You are Mr. Pringle?

STATEMENT OF J. W. PRINGLE, COORDINATOR, NEIGHBORHOOD SERVICES CENTER, MONTGOMERY, ALA., AND CHAIRMAN, NATIONAL RURAL COALITION, NATIONAL ASSOCIATION OF COMMUNITY DEVELOPMENT

Mr. PRINGLE. I am J. W. Pringle, chairman of the National Rural Coalition for the NACD, and also working with the Agricultural Agency in Montgomery, Ala., as Coordinator for the Neighborhood Services Center.

Senator HUMPHREY. Thank you.

Mr. PRINGLE. We have been talking for some time, Mr. Monroe and Mr. Bloch, and we have covered quite a few things we have talked about. But there are a few things that I would like to mention, put more emphasis on in regard to rural programing.

We find that in urban areas throughout our neighborhood and throughout some of the other States that I have visited the problems are basically the same but a little bit different from rural problems. In rural problems we find that each community has a different resource and a different means of solving this problem. A lot of programs are funded in a way basically the same for each community that are concentrating in timber, it would be very hard for the same program that you would use for that particular community to cope with an area that is basically prairie land or growing wheat or cotton or something of that nature.

What I am saying is if the people in the local community can have a greater input on what their particular community needs and this type of thing it would be a lot more effective for a program. It also would find that a lot of—in most communities a lot of board of directors that govern programs that are funded, they are not basically interested in the welfare of the low-income people, and I am speaking in regards to this as it relates to revenue sharing.

Right now we have people from the local community, which would be the poor, have only about one-third of voice in the government policy. So therefore right now it is not being well directed in some cases because of lack of representation from the poor and lack—a lot of areas you have the government bodies appointing board members and have a tendency to be a controlling factor.

There are some areas where we have agencies that are being controlled by bankers, the money for the area and this type of thing.

I speak from the point that revenue sharing, as I say, in this sense would be really against the mission of the OEO program as trying to solve the dilemma.

Senator HUMPHREY. That has worried me a great deal about the so-called special revenue sharing, because at least with the Federal program, the categorical program you have got a fighting chance to get a piece of it. In some of these communities I regret to say the poor people do not get a chance. One of the reasons we wrote into the OEO the maximum participation of the poor for the CAP program, and frankly the CAP program is about the only one that ever gets to the poor, was because we knew that certain areas of our country, north, south, east and west—it is not just regional, it is not just any one region—the governing bodies are frequently out of touch with a large block of the population.

Mr. BLOCH. It should also be noted that 62 percent of your total poverty is rural, but 70 percent of the OEO funding to urban programs, even though the mandate, you people have legislated, you have beseeched, you have asked, and continually the administrative end of the middle bureaucracy has circumnavigated the intent of the U.S. Congress in the use of funds. One is careers in Public Service that OEO got a grant on, which was 35 percent rural which did not go 35. The other, mobilization of local resource money, which was 50 percent and it is no ways 50 percent.

In region 5 particularly, Senator, in your State and my State are both in the same region should be of particular concern to you because that region has a horrendous record of ignoring small town and rural areas. We are really first cousin, small town and rural area. But we are really way down the priority list when it comes to dealing with programs—for example, in that region there is not one person on the regional level that is charged with the responsibility of rural affairs. There are four people charged with urban. Yet the vast majority of the Midwest is rural, if anyone has ever traveled over that.

Senator Humphrey. Surely. This is a very fundamental problem in government today, and I think that your emphasis upon it—I am not worried about the statistical fact, but your emphasis is very proper and necessary. That is one of the reasons I am here, to be frank with you, in this committee. When I ran for office I said if I got a chance to go back to the Committee on Agriculture—I can tell you that most of the people that get a chance to get elected did not have that choice. But I had an experience after my experience in government that there is such an orientation away from rural America, not because people are trying to control their thinking about it, but their education when they got off—their educational experience takes them away from rural America, particularly when they get into the higher echelons of government and get into some of these new programs. Likewise, the rural people are not as well organized. Likewise, there is tremendous poverty in our urban areas and it is concentrated. In the rural areas it is spread over the landscape.

Mr. Bloch. Very democratic. It goes everywhere.

Senator Humphrey. For example, very few people would stop and think that one of the poorest counties in the United States happens to be in my State. It is a county that has real abject poverty, and we have many of them, or several of them at least.

I appreciate the emphasis that is here and we got reports under title 9 now of the Agricultural Act.

I just signed a letter here while you were testifying over to the President to ask for some more information about the very same thing that you are talking about here, on the rural poverty picture.

Mr. Bloch. When we asked for the information on the public expenditures for the Agriculture Department we were informed if we had $150 and would write to Baton Rouge, La., maybe in the fulness of time we might get some of that information.

Senator Humphrey. We will try to be a little more helpful to you.

Mr. Bloch. We would still, Senator, like to have the information on the breakdowns of who got what, because we believe in subsidies for the rich and poor. We do not like to discriminate.

Senator Humphrey. You are sort of like I am. If private property is good for some it is good for everybody.

Mr. Bloch. I agree with that.

Senator Humphrey. All right. Anything else?

Yes, sir, Mr. Pringle?

Mr. Pringle. I would like to say in the OEO program is in a sense the last ray of hope for the low-income and minority groups, and they act as—well, I would call it a link between existing agencies and the low-income community. There are a lot of agencies that can offer help to a lot of low-income families, but they have closed the door in their face so many times until they are very reluctant about going in. So once I feel that the power structure gets more hands on the actual agencies that are operating the community now it would cut away that low hope they have there still to try to do something, because right now the people who are working in these types of programs have to pat the people on the back to get them to come back to the agency, like the welfare Farmers Home Administration, ASCA, well everywhere these people have gone, going from time and time again, whatever the case may be, it is a long story and it is hard for them to get in. It is a two-way system that I think this program presently now is about to bridge that gap and changes in our direction now would just about be ready.

Senator Humphrey. Of course, you know we have been having a vig scrap of the legal services.

Mr. Bloch. Rural areas do not have any.

Senator Humphrey. The legal services is one of the ways under OEO that you get a good attorney to represent poor people before government agencies, before other public bodies and private groups. Sometimes in the past you got an attorney but you maybe did not get the one that could really do the job. We are watching out for that. There are a few of us around here who are very concerned about these things. I have to tell you with a degree of sorrow that we are going to have to put up quite a fight for our OEO funds, particularly when it comes to the CAP agencies. I think that is the heart of OEO. You have got an ally.

Mr. Bloch. It should be noted, for example, in Indiana there is no OEO rural legal services programs because there are no funds. Again, this is the allocation and priority situation by middle-echelon bureaucrats as to what the programs will be even though you have said as Congress they are not matched unless there is local initiative. They do not come down that way. It is a real problem.

Senator Humphrey. You also said there was only one rural affairs——.

Mr. Bloch. There is no personage or even a slot designated in region 5 to be concerned with rural affairs, and you can check this with Mr. Verdine, because I have been arguing with him for 2 years on the point.

Senator Humphrey. We will see what we can do.

Mr. Bloch. We may be better off without, compared to what we were the last time.

Senator Humphrey. In other words, you say maybe the void is better than the present?

Mr. Bloch. We thought that way about a State OEO office.

Senator Humphrey. All right. I appreciate your questioning here, and thank you for your cooperation.

And now to our last witness for today.

Mr. Richard T. O'Connell, secretary of the National Council of Farm Cooperatives.

Mr. O'Connell, go right ahead with your presentation. I am delighted to see you.

Mr. O'Connell. Thank you, Senator.

Senator Humphrey. You have a prepared statement I observe.

Proceed, sir.

STATEMENT OF RICHARD T. O'CONNELL, SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. O'Connell. My name is Richard T. O'Connell. I am secretary of the National Council of Farmer Cooperatives.

The national council is a federation of farmer-owned businesses engaged in the marketing of agricultural commodities and/or the purchasing of farm supplies and 34 State cooperative councils. Affiliated with our nearly 100 regional farmer cooperative members are 6,500 local cooperatives serving 3 million farmer memberships. Farmer cooperatives which comprise membership of the national council are owned and controlled by farmers as their off-farm business operations.

We appreciate the opportunity to present our views on rural development, a program we have supported for over a decade, Mr. Chairman, and we also commend you for re-kindling the fire under this program, a program we have supported over a decade.

Senator HUMPHREY. We will examine your statement carefully. I do not know how much we will get done, but we are going to raise a lot of Cain around here until something happens.

Mr. O'CONNELL. The need to intensify our efforts on rural development is illustrated by the two following (but differing) examples:

This witness, this morning and every morning, spends an hour and five minutes driving 16 miles to his office. This is an average speed of under 15 miles per hour. This is about the same rate for a horse 50 to 100 years ago.

In the Sunday, May 30 issue of the Washington Post there was a story on the dingy, crowded Brownsville ghetto of Brooklyn. One despairing mother of four, two of whom are drug addicts, said, "I'd almost do anything to get back to South Carolina where the air is clear and free."

These two examples indicate the differing but similar situations of the suburbanite and the ghetto resident. Our cities are crowded and the quality of life in them is deteriorating. The only alternative is some form of population dispersement back to rural areas.

People go where the jobs are. As a result, three-fourths of the people in the United States live on 2 percent of the land, while the remaining 25 percent, rural Americans, live on 98 percent of the land.[1]

If people come to the cities for economic and cultural reasons, then promulgating a strong policy on rural development and doing something about it will attract these same people to a less crowded life in rural America.

The timing for such a program could not be better than it is today. The news media constantly describe the worsening economic and cultural conditions in our cities. Crime, drugs, crowded living and approaching financial catastrophes seem to be the rule rather than the exception among the Nation's major cities. A part of the urban crisis is the result of the migration of many rural Americans to the cities since World War II. However, there are signs that rural-to-urban migration is abating. Therefore, an extra thrust in rural development now could actually reverse the migratory flow

FARM COOPERATIVES IMPORTANT IN RURAL DEVELOPMENT

Farmer cooperatives have been part of rural development since their very beginning. Nearly all operations of farm cooperatives are in rural areas. Farmer cooperatives borrow nearly $3 billion annually for the purpose of improving their operations in rural America. Almost $300 million of this annually goes in to new plants and facilities, all providing employment for rural America.[2] As good as this contribution is to rural America, it is not enough.

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[1] 1970 Population Census.

There are approximately 9 million rural families below the poverty level.[3] Finding employment for this many people is a tremendous challenge in itself. Coupled with the need to attract urban people to rural living, it indicates the size of the task, one which will require deep national commitment. Nevertheless, the challenge must be met.

THE NEED FOR OTHER SERVICES

Although the policies of the National Council limit our support to economic development in rural areas, we recognize that the educational, health, and cultural institutions [4] must be created and improved in step with the efforts on economic development.

The National Council is carefully studying both rural revenue sharing and the proposed Cabinet level reorganization.

There are certain merits to a form of revenue sharing. In fact, this has been happening in agriculture for years. We cite help for the extension services, assistance to land-grant colleges, conservation programs and the price support programs under the Agricultural Stabilization and Conservation Service (ASCS) as on-going programs in revenue sharing. However, the membership of the National Council has not chosen, as yet, to establish a policy on this subject.

Our initial reaction to the Cabinet reorganization proposed is one of concern. The reshuffling of agencies into new departments is no assurance their efficiency of operations will increase. Secondly, most of the current operations in the USDA would be assigned to the Department of Economic Development. Other agencies would come mainly from Commerce and Labor. We fear that if agriculture is placed in the same agency with big business and big labor, agriculture's voice in policymaking may well be muted, if not silenced altogether.

We wish to offer some specific recommendations for consideration by this committee:

1. That the President recommit the National annually to supporting an active program for rural development.
2. That a presidential award be given annually to the "All-American" companies which have done the most for rural development in the previous year.
3. That a lending program be established for cooperative ineligible to borrow from either the Banks for Cooperatives or Farmers Home Administration.
4. That the census "nonmetropolitan" definition for rural America be increased to 25.35,000 population from the present 2,500. This limitation, after much deliberation over whether it should be 8,000, 4,000, or 1,000, was established by the 1910 census. The U.S. population in 1910 was about 92 million.

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[2] NCFC estimates based on the thirty-fifth annual report of the Farm Credit Administration.

[3] Agricultural Economic Report No. 124, Economic Research Service, U.S. Department of Agriculture, November 1967.

[4] Supplement to Agricultural Handbook No. 347, Economic Research Service, U.S. Department of Agriculture, October 1967.

5. A survey be taken of the 1,000 leading corporations in the United States to determine the number of facilities they placed, between 1960–1970, in cities of 35,000 or less and which are noncontiguous to larger metropolitan areas.

Senator HUMPHREY. I think we ought to add there the number of jobs that were produced as a result of these locations.

Mr. O'CONNELL. This would be a very simple survey, not a complicated one that takes a lot of time of the corporate planning personnel.

Senator HUMPHREY. I think we ought to ask the Department of Commerce to do that for us.

Mr. O'CONNELL. I might add, I checked the census of manufacturing and I was not able to filter out this information. The census of manufacturing does not provide a breakdown of information to really determine plant locations in areas away from large metropolitan areas.

Senator HUMPHREY. We will make a note of that and get a letter off to the proper agency.

Mr. O'CONNELL. Mr. Chairman, we support the principle of rural development and believe it is in the public interest to continue creating programs which will improve rural living.

We appreciate the opportunity to present our views to this committee.

Senator HUMPHREY. One of the questions I guess you have answered, you have not taken a position on the administration's revenue sharing and reorganization proposals?

Mr. O'CONNELL. No, we have not.

Senator HUMPHREY. If you do we would appreciate hearing from you.

Mr. O'CONNELL. I think we will know within 6 months. We did not take it up at our last annual meeting held in January.

Senator HUMPHREY. You mentioned a lending program be established for cooperatives ineligible to borrow from the farmers cooperatives or Farmers Home Administration. Would you elaborate and tell us why such a program is needed and what groups cannot borrow, Mr. O'Connell?

Mr. O'CONNELL. There are mixed cooperatives of farmers and rural residents where the membership of the organization is heavier in favor of rural residents than farmers, over half for example. Currently under the regulation of the Farm Credit, 90 percent of the voting media must be held by farmers in order for a cooperative to be eligible to borrow from banks or cooperatives. We are supporting legislation, hearings were held recently before this committee, which would reduce that voting media to be held by producers to 66⅔ percent.

Senator HUMPHREY. That is before our Farm Credit Subcommittee.

Mr. O'CONNELL. That is right. Even if it goes down 66⅔ percent, it would leave control, as we want it in the hands of the farmers who built the banks for the cooperatives. However, there is a group which would fit between those borrowing from Farmers Home Administration, which lends only to those who cannot get the funds from any other source, and those who borrow from banks and cooperatives.

I do not know, Senator, whether to call it a rural development bank or some other name, but there is a gray area of financing which is not being served.

Senator Humphrey. That is what we feel, and we are trying to design a proposal that will meet that need.

Mr. O'Connell. The bank should take a balanced approach. There has to be a way for community banks to be brought in on this lending program, some affiliation with government action. Bankers like to say they need help with what they call the "nervous" part of the loan.

In other words, there is a portion of a loan which bankers fear goes beyond the value of what either the organization has in the way of assets or that a plant facility may be insufficient collateral for the loan. This is another area of financing which is not being served.

As you know, in small towns the bank deposits are not growing very rapidly. Many rural areas are using correspondent banking in the metropolitan areas for additional funds. But the first priority for loans at the correspondent bank level is not the small community banks in rural America. Metropolitan banking funds are going to the building of metropolitan shopping centers, the construction of office buildings, and so forth.

Senator Humphrey. Well, we appreciate this very much. Your testimony was concise and helpful, and we will welcome any further commentary that the National Council would like to make. You know of my personal high regard for the National Council of Cooperatives. This is a fine bit of testimony. We thank you very much.

May I include in the record a letter from Senator Gordon Allott, a letter addressed to me as chairman of the committee, and he encloses a letter from Mr. Lowell H. Watts, director for extension and university services and director of the cooperative extension service of Colorado State University.

This will be made a part of our record at this point in the transcript.

(The letter is as follows:)

Fort Collins, Colo., *June 4, 1971.*

Hon. Gordon L. Allott,
U.S. Senate,
Washington, D.C.

Dear Gordon: Reference is made to earlier correspondence regarding the implications of special revenue sharing for the Cooperative Extension Service. Of specific reference is your letter to Secretary Hardin making inquiries on this subject dated March 11, 1971.

As you know, the Administration proposal which was eventually transmitted to the Congress for the Administration by Secretary Hardin on April 6 carried in Section 202(e) provisions that not withstanding any other provisions of the Act, each state would be required to use a sufficient portion of the monies to which it is entitled to carry out an Extension program comparable in size and type to the Extension program carried out in the state in fiscal year 1971, and that the Cooperative Extension Service shall be permitted to continue 4-H, nutritional aid programs, and other agricultural programs in metropolitan areas.

Obviously, this paragraph carries with it significant changes, both in intent and in general operating capability for the Cooperative Extension Service. We acknowledge this change with deep appreciation because it would not only allow Extension to continue as a part of the Land Grant University but would also make it possible for us to continue 4-H, our nutrition program and other regular programs in metropolitan as well as rural areas.

Since Senator Dominick is a co-sponsor of the Senate version of the Rural Community Development Revenue sharing Bill, S. 1612, I have written to him commenting specifically on the legislation as contained in S. 1612. Because of your assistance and your interest, I am taking this opportunity to communicate directly with you on this same subject. Statements made by officials of the Department of Agriculture in personal discussion as well as testimony by Secretary Hardin and Secretary Connally on Rural Community Development indicate that the Administration does desire and intend to continue Cooperative Extension work and to support it in both rural and urban areas.

Of concern to me in analyzing the wordage of the legislation is the fact that the modifications do carry with them certain changes that I would hope could be corrected before any final action is taken on the legislation. The following problems are still apparent in the legislation as drafted in S. 1612.

1. There is no provision in the bill for mutual consent between the state land-grant university and the Secretary of Agriculture. This might give the Secretary unilateral authority to direct program priorities or could result in an assumption of authority by the Governor's office. In either case, Extension's educational objectivity and its present isolation from political control could be jeopardized.

Congressional testimony prior to passage of the Smith-Lever Act, indicates that the problem of maintaining Extension free of political control was a matter of consequence in consideration of the original legislation. Our ability to initiate state plans of work and a memorandum of understanding with the Department of Agriculture has given the land-grant university the capability to insure that the programs were educational in nature rather than political. At the same time, the right of review and approval by the Secretary of Agriculture has allowed for federal concerns and influences to be made a part of the Extension program in an appropriate and non-political context.

Wordage in the original Smith-Lever Act which requires mutual consent between the land-grant universities and the Secretary in the development of Extension programs is absent in the current legislation. I would sincerely hope that a provision of this nature could be reinserted.

2. There appears to be no requirement for a state to continue Cooperative Extension work if it should elect not to accept Rural Community Development Revenue Sharing funds. I would expect that this could lead to some serious intrastate conflicts and problems if the eventuality indicated actually materialized.

3. The states would be required to pay the retirement and fringe benefit costs of Extension employees. These costs are now borne by the federal government.

If the costs are transferred to the state, it would be impossible to maintain the current level of program unless the state itself provided additional funding. This would seem to violate the general intent embodied in the concept of revenue sharing.

4. Use of the penalty mail privilege would be lost to Cooperaitve Extension employees and the states would be required, as in the case of retirement and fringe benefits, to pay these costs.

5. Although the federal retirement of those currently holding federal appointment would be protected in the law, there is a question regarding the status of such personnel in terms of their fringe benefits if a state should elect not to contribute to the federal retirement program.

6. Extension would lose its present ability to purchase supplies and equipment through GSA sources at greatly reduced rates and would lose its present authority to acquire excess personal property which has provided a great saving in many states.

7. There is no provision for growth. The bill refers to maintaining Cooperative Extension at its 1971 size and type. It does not specify whether this reference is only to federal funds or to all sources and does not provide for Extension to share in any increased funding under the Revenue Sharing Bill.

Although I presume it is an unintended omission, Section 204 of S. 1612, which authorizes the expending of funds under the act, does not include Extension work in the authorization. An addition to this effect should be inserted.

Since Senator Dominick has asked that I provide him with specific suggestions, I am taking the liberty of enclosing a copy of my letter to him in connection with this subject.

It is my hope that we might be helpful in reviewing with you and others interested in this legislation those aspects which might be corrected editorially without destroying the intent of the legislation and at the same time allay the fears of some who have perceived Extension's inclusion in revenue sharing as undesirable.

It is my personal belief that the Cooperative Extension Service can be an extremely effective tool in each of the states in support of Rural Community Development. If revenue sharing is passed, I perceive an increased requirement for educational programs which will assist particularly the smaller rural communities in taking advantages of the opportunities provided under this concept. It is for this reason, as well as in consideration of current program efforts, that I would hope legislation, if enacted, would maintain the effective principles that have functioned effectively under the Smith-Lever Act for the past 57 years. We do, of course, need to modernize the Extension Service and keep it in tune with current problems of our society. The concern about development in rural areas is currently of high priority to the Cooperative Extension Service. Even though specific funding for this purpose has been quite limited, the field organization and the land-grant backstopping does place the Extension Service in a position which could be most helpful in the emerging programs which seek to strengthen and improve the economic and social situation in rural sectors of America. I hope, therefore, that we can be of appropriate assistance to you in interpreting the current legislative proposals and their implications. I might add that these suggestions I have offered have not been subjected to legal review and the wordage could therefore need modification from that standpoint.

Very sincerely,

LOWELL H. WATTS,
Director for Extension and University Services,
Director of Cooperative Extension Service.

EXCERPTS SUBMITTED BY LOWELL H. WATTS

Section 202(e):

"Notwithstanding any other provisions of this Act, each State shall use a sufficient portion of the moneys to which it is entitled to maintain and carry out a program of Cooperative Extension work as authorized by the Smith-Lever Act (7 U.S.C. 341–349) and Section 204(b) and 205 of the Agricultural Marketing Act of 1946. Such program shall:

"(1) continue to be administered by the designated State Land-Grant Institution(s).

"(2) be initially comparable in size and type to the Cooperative Extension program carried out in the States in fiscal year 1971 as funded by Federal, State and local governments, with increased funding in years subsequent to 1971 based on additional educational needs.

"(3) be continued Statewide in rural and metropolitan areas and encompass agriculture, home economics, nutrition, 4-H, community development and related programs.

Section 203, State development plan, add to last sentence:

"Such State Development Plan shall not be subject to approval by the Secretaries, except that the Extension Director of each Land-Grant institution as described in Section 202(e) shall continue to submit annual plans of work to the Secretary of Agriculture for approval. Current memoranda of understanding for Cooperative Extension work between Land-Grant institutions and the Secretary shall continue in effect. The plans of work as approved by the Secretary for Extension work may be included as a separate, identifiable part of the State Rural Development Plan."

Section 204, Authorized expenditures:

"Each State is authorized to expend moneys to which it is entitled under Section 202(a) through (c) for the purpose of rural development as that term is defined in Section 101(c) *except those funds as provided for under Section 202(e) for Extension work.*[1] Each State is authorized to expend moneys to which it is entitled under Section 202(d) as the Secretary shall direct."

EXCERPT OF BILL SUBMITTED BY LOWELL H. WATTS

RESOURCE CONSERVATION AND DEVELOPMENT

SEC. 415. Unless such project measure has been approved on or before December 31, 1971, no financial assistance shall be provided to carry out any project measures under the authority of section 32e of title III of the Bankhead-Jones

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[1] Italic indicates added material.

Farm Tenant Act, as amended (7 U.S.C. 1011e), or sections 1-6 of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590 a-f), in a resource conservation and development plan developed in the program for land stabilization and land conservation authorized under sections 31 and 32 of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010 and 1011).

EXTENSION SERVICE

SEC. 416. (a) No payments to States for extension work as authorized by the Smith-Lever Act, as amended (7 U.S.C. 341-349), and sections 204(b) and 205 of the Agricultural Marketing Act of 1946, as amended (7 U.S.C. 1623 and 1624), shall be made after December 31, 1971.

(b) Equipment and other property in the possession of a land-grant university which was purchased in whole or part from funds made available for extension work shall remain the property of the university.

(c) The provisions of section 4152(a) (F) of title 39, United States Code, relating to penalty mail for extension agents and directors are *continued.*

(d) Any person *currently or hereafter holding an appointment as a cooperative extension employee, shall be eligible for coverage* under the Federal employees' injury compensation program authorized by chapter 81 of title 5, United States Code, the unemployment compensation program authorized by chapter 85 of title 5, United States Code, the Civil Service Retirement Act, chapter 83 of title 5, United States Code, the Federal employees' group life insurance program authorized by chapter 87 of title 5, United States Code, or the Federal employees' health benefits program authorized by chapter 89 of title 5, United States Code. *Appropriations are authorized to provide for 1) Employer's matching contribution to Federal Civil Service Retirement Program; 2) Costs incurred under the Federal employees' compensation program; 3) costs for penalty mail for extension agents and directors.*

LAND STABILIZATION, CONSERVATION, AND EROSION CONTROL

SEC. 417. No agreements shall be entered into under section 203 of the Appalachian Regional Development Act of 1965 as amended (79 Stat. 12), after December 31, 1971.

Senator HUMPHREY. Well, that concludes our hearings for today. Thank you very much.

The committee now stands adjourned, and will reconvene subject to the call of the Chair.

(Whereupon, at 4:33 p.m. the subcommittee adjourned, to reconvene subject to the call of the Chair.)

(Additional statement filed for the record is as follows:)

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. Chairman and Members of the Subcommittee: I am Patrick B. Healy, Secretary of the National Milk Producers Federation.

The Federation is a nation-wide farm commodity organization. It represents dairy farmers and the dairy cooperative associations which they own and operate. These cooperatives range from small groups to very large federated organizations. They operate throughout the continental United States and in Alaska.

RESOLUTION ON RURAL DEVELOPMENT

Mr. Chairman: The Federation recognizes the great need for improving life in rural America. Adopted at its annual convention, the Federation's resolution on rural development reads as follows:

"The rural development administration emphasizes industrial and commercial development in rural areas as a means of providing improved employment and living opportunities for rural people not needed in commercial-like agriculture, thereby relieving the population pressures on urban areas.

"The National Milk Producers Federation commends this objective of the rural development administration program, but urges that projects under this program be limited to sound, economic developments which do not work to the disadvantage of the dairy industry."

Historically, America's farmers, including dairymen, have been the backbone of the nation. By ever-increasing efficiency, our farmers now produce a greater, more nutritional food supply—with fewer man hours, less acreage proportionately, and lower costs to consumers—than any country in the world.

Over the years, unfortunately, imbalances and serious deficiencies have developed *in rural* America:

Today, over 30 percent of the nation's poor live in rural America.

Unemployment and under-employment is disproportionately high in the countryside.

Over one-half of the nation's sub-standard housing is located in rural communities.

According to a recent survey, nearly 32,000 rural communities require new or improved water systems; and over 30,000 require new or improved sewer systems.

Health services are often inadequate.

Better schools are needed.

And there are many other needs in rural America.

FEATURES OF RURAL DEVELOPMENT PROGRAM

In designing and operating a more effective rural development program, creative utilization of existing and new ideas are necessary. Fundamental principles of such a program, in our judgment, should include:

Cooperatives

Over the years, cooperatives—particularly in dairying—have proven highly effective in serving the needs of the nation's farmers. By protecting and strengthening the cooperative movement, we will preserve and perpetuate a system vital to rural progress.

Credit

Modernization of farm credit laws—as proposed in this Congress—should be expeditiously acted upon by Congress. A good, flexible credit system is essential to rural progress.

Housing

Better housing is necessary, if rural folks are to live in comfort and dignity on farms and in smaller communities.

Education

In our educational system, there needs to be:

Improved efforts to educate young people to the advantages of living in rural communities, including emphasis on both farm and farm-related opportunities.

Vocational education programs should be restructured to better meet the needs of modern agriculture;

To acquaint students and youth with opportunities in farm and agribusiness, work-study programs should be developed and operated for onfarm experience; and

The quality of rural schools should be brought up to par with urban schools.

Health

Lack of adequate health care and services is a serious problem. Renewed efforts are required to meet the physiological, mental, and dental health of rural people.

Environment

In legislation being considered by Congress for coping with problems of pollution, consideration must be given to the economic impact upon farmers; and cost-sharing systems should be developed for antipollution measures that will be highly expensive.

Obviously, these touch upon only the more prominent problems confronting us in rural America.

CONCLUSION

I warmly commend this committee for undertaking efforts to develop a more effective, workable program in rural development. In our judgment, this is necessary not only to bring equity, dignity, and opportunity to rural people; but also to foster balanced progress in agriculture, the foundation of the Nation's economy.

(NOTE. The following material was supplied to the subcommittee for inclusion in the record of the hearings by the Chief of the U.S. Department of Agriculture Forest Service in response to request of Chairman Humphrey.)

Nearly all Forest Service activities are either designed specifically to contribute to the quality of life and economic opportunities in rural America or are managed so as to benefit rural people while serving national resource goals. This emphasis is found in the management of the 187 million acres of National Forests and National Grasslands and in the Cooperative State and Private Forestry, Research, and Manpower and Youth Conservation programs operated by the Forest Service.

The National Forests and Grasslands provide water for local communities, outdoor recreation opportunities for tourists and local residents, habitat for big game and other wildlife, roads and trails for commercial and recreational use, fire protection for Federal lands and much State and private land, raw materials for local manufacture to supply local and national markets, and employment for about 29,000 people in rural communities, as well as income for many small businessmen and contractors. Shared revenues from National Forest receipts are a major financial aid to rural counties.

State and Private Forestry programs administered by the Forest Service are aimed at improving the protection ad development of the 332 million acres of nonindustrial private and non-Federal public forest lands in the Nation and toward improving the efficiency and quality of forest resource utilization on all non-Federal lands.

Forest Service research includes development of improved techniques for protecting the forest environment as well as for producing commercial goods. For example, research now underway includes efforts to reduce soil erosion, improve wildlife habitat, find uses for tree bark now being burned, reduce noise levels in towns through use of tree barriers, provide plans for attractive low-cost housing, analyze the opportunities for plywood production in some rural areas, and develop intensive cultural measures for maximum timber production.

Manpower and Youth Conservation programs conducted by the Forest Service include the operation of 20 civilian conservation centers, participation in the Youth Conservation Corps program, and cooperation with the Department of Labor's special manpower programs such as Operation Mainstream, Green Thumb, and Neighborhood Youth Corps.

Statistical information and brief details concerning the relation of Forest Service programs to rural America are given below.

NATIONAL FOREST SYSTEM

The 154 national forests and 19 national grasslands are managed under the concepts of multiple-use and sustained yield. Gross area within unit boundaries encompasses about 226 million acres in 44 States and Puerto Rico, of which 187 million acres are under Forest Service administration. Management of these lands is designed to protect and improve intangible values, such as scenery, as well as to produce tangible commodities such as timber. Some statistics on contributions of national forests and grasslands in rural areas are as follows:

National Forest System contributions to improving quality of rural life

Campgrounds and picnic grounds—developed capacity for 525,000 persons at one time. Concession and permits administered by the Forest Service involved capacity for another 580,000 persons.

Landscape management—employment of 180 landscape architects to help preserve a pleasing forest environment.

Administration of 44,000 permits for special uses of National Forest System lands in 1970.

Wildlife habitat development on 186,000 acres in 1970. About 93 million wildlife-oriented visitor days estimated for 1970.

Management of 1,075 watersheds on National Forest System lands for community water supplies.

Water quality monitoring at 41 primary stations in major watersheds as well as monitoring at many project locations in connection with forest development activities.

Inspection of mining claims for compliance with mining laws. (About 40,000 claims are active in any one year.)

Fire protection on 183 million acres of National Forest System land and over 10 million acres of State and private lands. (About 4 million acres of National Forest land is protected by other agencies.)

Development and maintenance of a multipurpose road system 199,000 miles long.

Forest insect and disease surveys and control measures on all Federal lands.

Resource inventories and surveys for multiple-use management covering tens of millions of acres of forest and rangelands annually.

Administration of 14 million acres of Wilderness and Primitive Areas.

Maintenance of 100,000 miles of trails for recreation and other uses.

National Forest System contributions to jobs and economic opportunities in rural America

Harvesting of 11.5 billion board feet of timber through contracts with private forestry operators in fiscal year 1970. National Forest lands contribute about 30 percent of the Nation's annual softwood timber supplies. About 26,600 timber sales were made during 1970, many of these designed for small operators and all of them providing employment in rural areas. In addition, about 112,000 sales of minor forest products were made in that year.

Grazing of 3.1 million head of livestock through 18,200 paid permits in 1969. In addition, 68,500 owners were allowed to graze about 160,000 head of livestock free of charge.

Minerals with an estimated value exceeding $100 million are removed from National Forest lands annually.

Outdoor recreation involving an estimated 160 million visitor-days in 1970, bringing increased income from tourists and sportsmen.

Special use permits and concessions granted to local businessmen for developing commercial recreation enterprises.

Salaries paid to nearly 18,000 permanent employees and 11,000 temporary and part-time employees in nonmetropolitan areas in 1970.

Construction, service and supply contracts valued at $104,000,000 were issued in 1970. Of the total, $76 million worth was awarded in Small Business Administration set-aside contracts. Many of these contracts were timed to provide jobs during off seasons for farmers, loggers and other rural people.

Distribution of $78.9 million of National Forest receipts to States and counties, in 1970, for support of schools and roads.

FOREST SERVICE COOPERATION WITH OTHER FORESTRY AGENCIES

The forest products industry (including primary and secondary processors) employed over a million people in the United States during 1967. The payroll involved was about $6 billion and value added in manufacture exceeded $11 billion in that year. Most of the employment in this industry is in non-metropolitan areas. The Forest Service supports this employment through forest products sales on the National Forests, through its forest products utilization assistance in State and Private Forestry programs, and through research.

The Forest Service also cooperates with public and private institutions concerned with forest resources other than timber, such as range, wildlife, recreation, water and minerals. Many programs are designed to aid the 4 million small forest landowners who own 59 percent of the Nation's potentially productive woodlands. Others are aimed at helping State and local governments manage public lands effectively. Also, the Service works with private conservation associations such as Trees for People, the National Wildlife Federation, the Southern Forest Resource Council, and National Association of Conservation Districts.

Some specific information on State and Private Forestry and Research programs is given below.

State and Private Forestry Contributions to Rural America

Ownership of forest land suitable for sustained timber production in 1968 was approximately as follows:

	Million acres	Percent
National forests	97	19
Other Federal	16	3
States, counties, and municipalities	29	6
Forest industry	66	13
Farmer	141	22
Miscellaneous private	162	37
Total	510	100

These statistics demonstrate the importance of State and private ownerships in protecting and managing the Nation's forest resources. Farmers and miscellaneous private owners have an enormous role in forestry as indicated by their 59 percent ownership shown above. The Forest Service State and private programs are designed to encourage effective multiple-use management of all non-Federal forest resources.

Programs involved in this effort are: Cooperation in Forest Management and Processing; General Forestry Assistance; Cooperation in Forest Tree Planting; Assistance to States for Tree Planting; Cooperation in Forest Fire Control; Insect and Disease Control; and Flood Prevention and River Basin Planning.

These programs provide financial and technical assistance to the States. In some instances, the forest Service gives direct aid to forest land owners and processors. More often, assistance is provided through State Foresters. These activities help improve the rural environment through the following means:

(a) technical advice to processors to improve raw material utilization and reduce pollution from waste disposal;

(b) assistance to non-Federal public and nonindustrial private owners in managing forests so as to favor wildlife, limit soil erosion, improve scenery, and protect water supplies;

(c) aid in detecting and controlling damaging insect and disease outbreaks such as the current gypsy moth epidemic in the East;

(d) financial and technical aid to States for forest fire prevention and control;

(e) assisting States and local governments in river studies under the National Wild and Scenic Rivers Act;

(f) participation in flood prevention projects, small watershed (P.L. 566) activities, and river basin studies;

(g) communication of Forest Service research results to other agencies and landowners. Plans for low cost wood housing are an example of the information provided rural residents.

State and Private Forestry programs are also designed to promote jobs and income opportunities in rural areas. For example, the Cooperative Forest Management program helps the States aid landowners to increase incomes from woodlots and small recreation developments. Forest Products Utilization assistance helps find uses for resources now wasted and improves processing efficiency. Resource information is provided to aid industrial development and special training in forestry jobs is given through the General Forestry Assistance Program.

Some 1970 statistics relating to assistance provided through these programs are as follows:

Assists given to private landowners	120,000
Assists given to public agencies	2,600
Assists given to forest products processors	14,500
Million acres of land protected from fire	512
Million distributed to States for forestry purposes	$21

The Forest Service also is an active participant in the administration's Rural Development Program—serving the States through membership on State and local Rural Development Committees and through technical assistance to rural communities and development organizations. In fiscal year 1971, Forest Service and State Forester staff assisted over 2,500 communities or groups in 3,600 different rural development projects.

FOREST SERVICE RESEARCH CONTRIBUTIONS TO RURAL AMERICA

Most Forest Service Research programs are both directly and indirectly related to improving the quality of life and economic opportunities in rural areas. Examples include research leading to the development of new and higher value products derived from forests and related resources, and research contributing to the development of new recreational and wildlife opportunities. Some of our research will lead to greater stability of existing businesses and jobs in rural areas. Others can lead to development of additional jobs from the same resource base. In the long run, almost every forestry research effort will contribute in some way or other to rural area development. Research provides the technical backstopping and base essential for the successful development, implementation, and completion of action programs. Specific research programs related to rural development and environmnetal quality are discussed below.

Environmental quality and public recreation research

(1) Forest environment: Research studies are aimed at improving the environment by reducing pollution, improving wildlife habitat, creating opportunities for outdoor recreation, developing range resources, and using trees to enhance the esthetic qualities and provide protection.

Current studies aimed at reducing pollution include finding uses for residues currently burned (a major source of air pollution), reduction of noise levels in communities through use of tree screens, and control of soil erosion through grass plantings. Further study of shelterbelt establishment in the Great Plains is being conducted to aid farmers in conserving soil moisture.

In the South, research has shown that hunters are willing and able to pay for hunting privileges on private land. Current research is designed to help landowners achieve this source of supplemental income. Studies also are in progress to provide landowners information on campground development. Private campgrounds offer considerable potential as an income source for the rural landowner.

(2) Fire and atmospheric sciences, forest insect and disease: Forest fire research in the South will help protect the rural environment in areas where incendiary fires are common. Researchers there are working toward means of reaching potential incediarists among rural populations in these areas.

Forest disease and insect researchers are seeking effective control measurs (especially non-chemical ones) to avoid loss of timber or environmental degradation. For example, since the ban on DDT, the gypsy moth defoliation of trees has spread over 1,000,000 acres of forest from New England to the middle Atlantic States. Further spread is likely. To counteract this threat, a greatly enlarged research program to find effective biological controls for the gypsy moth has been initiated.

Research affecting job and income opportunities

(1) Timber management: Research is directed toward providing management methods for maintaining productive forests to provide all benefits on a sustained-yield basis. In addition to continuing research directed toward the major timber products of lumber, pulpwood, and veneer, several studies are specifically oriented toward the small forest landowner. For example, naval stores are traditionally labor-intensive operations on small acreage in the South. Forest Service scientists are striving to increase the gum yields and income for this industry through tree breeding. They are also assisting Christmas tree producers in the West to develop strains of good quality trees.

(2) Forest products and engineering: Major research programs dealing with forest products and engineering assist the forest products industry and thereby help provide market outlets for small timber producers and jobs for workers in the industry. For example, a series of studies nearing completion considers the opportunities for plywood production from ponderosa pine in the Black Hills region.

Adequate housing for rural areas is a goal of other studies. Much has been done in this area through preparing plans for sound, attractive, low-cost houses to blend with the rural environment.

(3) Forest economics and marketing: Economics research is directed toward determining the best management alternatives to provide optimum outputs from forest and rangelands. Some examples of economics and marketing research designed to increase income in rural areas are given below.

Forest economists have determined that the New England States have the resource potential to greatly expand the production of maple syrup and syrup by-products and have started a research project to stimulate maple syrup production and develop new markets for those products in this area.

Increased utilization of low-grade hardwoods is essential for proper management of many timber stands in the eastern United States. Abundant supplies of these low-grade hardwoods are often found in Appalachia and other economically depressed rural areas. The manufacture of pallets for shipping foodstuffs and other goods is a promising outlet for this resource and a likely source of new income for rural areas. Forest Service marketing research in this area is focused on developing standardized design criteria for pallets and expanding hardwood pallet use through establishment of a national pallet exchange.

(4) Forest survey: The Forest Service is responsible for periodic inventories of the Nation's timber resources and appraisal of the supply and demand outlook for those resources. The Forest Survey program develops this information in a manner which permits Federal, State, and private agencies to guide rural development programs and commercial investments. Reports are issued for individual States (often for individual counties) and for the entire Nation. The most recent comprehensive national report, *Timber Trends*, will soon be supplanted by the *1970 Timber Review*.

MANPOWER AND YOUTH CONSERVATION PROGRAMS

Manpower and Youth Conservation programs administered by the Forest Service improve the quality of life in rural America by benefiting both the human and natural resources. These socio-environmental programs result in significant improvements to the rural environment while providing participating youths, the disadvantaged, unemployed, and senior citizens with an understanding and appreciation of the importance of the conservation of natural resources and with educational and vocational skills to improve their employability. The programs include the Job Corps Civilian Conservation Center Program, the Department of Labor Manpower Training Programs hosted by the Forest Service, and the new Youth Conservation Corps.

The 20 Civilian Conservation Centers operated by the Forest Service have a current capacity of 3,848 Corpsmen. Each year, approximately 8,000 disadvantaged youths age 16–21 received education and vocational skills training in these centers. The Forest Service hosts each year up to an estimated 8,600 disadvantaged youths and adults in the Department of Labor's special manpower training programs such as Operation Mainstream, Green Thumb, Neighborhood Youth Corps, Manpower Development and Training Act, Work Incentive, Supplemental Training and Employment, Public Service Careers, Concentrated Employment Program and the Department of Health, Education, and Welfare's College Work-Study program.

The Youth Conservation Corps program, initiated this year, is a combination conservation work-environmental education program for 15 through 18 year old men and women of all social, economic, and ethnic backgrounds.

In 1971, approximately 2,500 youths are involved in this pilot summer program sponsored and administered jointly by the Departments of Agriculture and Interior.

Because of the location of Natural Forests and other Forest Service facilities a large percentage of the participants in these Forest Service Manpower and Youth Conservation Programs are from rural areas. In addition, rural communities in which these programs are located benefit economically by providing supplies and services to the participants. The projects completed through these programs improve the quality of natural resources, natural beauty, and outdoor recreation facilities thereby benefiting rural areas esthetically and economically.

The above report gives details of Forest Service activities affecting the quality of life in rural areas and economic opportunities there. It discusses National Forest System, State and Private Forestry, Research, and Manpower and Youth Conservation programs and the relation of these to activities of non-Federal forestry agencies and forest owners.

The statistics included in the report are only a handful out of the myriads of estimates required annually for Forest Service administration. They are the ones which seem most pertinent to your request, but we will gladly supply more if you wish.

You asked for suggestions for improving these activities. The enclosed report, *A FOREST SERVICE ENVIRONMENTAL PROGRAM FOR THE FUTURE* summarizes our tentative development plans for the coming decade. The proposals in the following report have not been endorsed by the Administration.

(The report is as follows:)

A Forest Service Environmental Program for the Future Tentative Draft—Forest Service, U.S. Department of Agriculture

INTRODUCTORY STATEMENT

On January 1, 1970, President Nixon signed the National Environmental Quality Act (PL 91-190). The purposes of this historic act are:

To declare "a National policy which will encourage production and enjoyable harmony between man and his environment;

To promote efforts which will prevent or eliminate damage to the environment and biosphere and to stimulate the health and welfare of man;

To enrich the understanding of the ecological systems and natural resources important to the Nation; and

To establish a Council on Environmental Quality."

In keeping with the intent of the act, the Forest Service has focused increased attention on environmental problems and is analyzing and studying the ecological consequences of its various activities more thoroughly.

The Forest Service has drafted this tentative forestry Program for the Future to give people an indication of how the Agency might respond to the needs and opportunities of the future. The present draft supersedes a preliminary September 25, 1970, draft and reflects suggestions received from discussion of the earlier draft. Targets for development of National Forest recreation facilities and for National Forest wildlife habitat improvement are higher than suggested in the September 25 draft.

The revised draft Program looks ahead for a 10-year period. Comment is invited and will be considered in the next update of the Program. The tentative Program described has not been endorsed by the Administration.

A FOREST SERVICE ENVIRONMENTAL PROGRAM FOR THE FUTURE

This revised statement of "A Forest Service Environmental Program for the Future" has been prepared to conform to the following directives and procedures:

1. *The President's statement of June 19, 1970, commenting on findings and recommendations of a Task Force on Softwood Lumber and Plywood.* This statement called attention to the need for increased timber supplies to meet housing and other needs. The President directed, in part, that action be taken to improve the level and quality of management of National Forests to permit an increased harvest of softwood timber, consistent with sustained yield, environmental quality, and multiple-use objectives. He also directed that programs be designed to increase production and harvest of timber on State and private lands, consistent with maintaining environmental quality.

2. *The Environmental Quality message of August 10, 1970.* In this statement, the President challenged research to provide new knowledge about ecological relationships and human behavior in relation to environmental factors. In addition, the President called for new perceptions and attitudes and expressed his intention that environmental considerations will be taken into account at the earliest possible stage of the decisionmaking process.

3. *Section 102(2)(c) of the National Environmental Quality Act.* This requires responsible officials to prepare a detailed environmental impact statement for every recommendation or report on proposals for legislation and other major Federal actions significantly affecting the quality of the human environment. The act requires the responsible official to consult with and obtain the comments of any Federal agency which has jurisdiction by law or special expertise with respect to any environmental impacts involved. It further provides that copies

of statements and comments and views of the appropriate Federal, State, and local agencies which are authorized to develop and to enforce environmental standards shall be made available to the Council on Environmental Quality (CEQ) and the public.

4. *Subsequent* Executive Orders, CEQ Guidelines, OMB Bulletins, Secretary's Memoranda, and Forest Service Directives defining and implementing the requirements of the act as issued during 1970. The Forest Service has developed a detailed system for the preparation and review of statements for Section 102, and refinements are continuing to be made.

It is, therefore, a first order of business for the Forest Service to help chart a future course which reflects greater concern for the Nation's stewardship of forest and related lands. In this effort, one of the most important objectives will be to improve the balance among the three major areas of Forest Service responsibility—National Forest Administration, Forestry Research, and State and Private Land Cooperative Programs—and among the programs and activities within these major areas.

Improved balance is also needed to meet the goals expressed in "Framework for the Future," a statement of Forest Service objectives and policy issued in February 1970.

Forestry Research meets the Forest Service's longstanding responsibility for producing the knowledge and technologies required to protect, manage, and utilize all forest resources. Improved knowledge is needed to formulate sound national, regional, and local forestry policy and plans. Successful application of practices and programs designed to improve and to protect the environment of all forest and related lands, as well as to meet human needs, depends on a strong and productive forestry research effort at the Federal level.

State and Private Cooperative Programs have never received adequate emphasis. As a result, most nonindustrial non-Federal lands are not providing goods and services at anywhere near their potential. If continued, this imbalance will contribute increasingly to problems of timber supply, as well as to environmental deterioration. The 300 million acres of productive forest land (59 percent of the Nation's total) that is held in farm or other nonindustrial private ownership hold the key to long-range increased productivity. The huge backlog of needed tree planting and other cultural work on these lands must be reduced.

Intensified National Forest management can yield dramatic payoffs in terms of both environmental enhancement and production of useful goods and services needed by the public. Current emphasis on the need for increased timber sales from National Forest lands must not be allowed to create further imbalances in the overall program. Wildlife, watershed, recreational, livestock forage, and other values are equally significant. Here, too, a large backlog of needed work must be reduced.

The revised Environmental Program outlined herein represents a step toward achieving better balance in program emphasis. However, it is preliminary and may not fully reflect the most appropriate mix of programs and activities. Further program development efforts are needed to chart the course for programs aimed at achieving better management of nonindustrial private forest lands. The blueprint for research programs may need modification to reflect changing needs and opportunities and to anticipate future demands for new forestry knowledge.

During the next decade, the Forest Service expects to move forward on several important fronts that relate to program administration. Some of these are:

Developmental work on and implementation of new methods of protection and management which will minimize adverse environmental effects;

More sophisticated methods to display alternative combinations of resource uses and the consequences of each;

Planning for National Forest management in a way that will focus on specific units of land so that resource managers and citizens alike can visualize the issues involved and can better discuss and understand the implications of management alternatives.

The Forest Service recognizes its responsibility to help bring about better public understanding of the problems and opportunities involved in natural resource management and use. A better understanding will lead to more meaningful public involvement. This can help to produce improved Forest Service programs—locally, regionally, and nationally.

FOREST SERVICE ENVIRONMENTAL PROGRAM FOR THE FUTURE

National forest system

Resource Management

Wildlife Habitat Management: During the period improve 3.7 million acres of fish and wildlife habitat:

3.3 million acres of game habitat: seed and plant 939,000 acres; release game food plants from competing vegetation 899,000 acres; prescribe burn 755,000 acres; fence 259,000 acres; and create 483,000 acres of permanent openings. In addition, install 12,000 wildlife water developments (12,000 acres).

214,000 acres of waterfowl wetland: provide marsh and bottom land hardwood improvement for 84,000 acres; pothole construction for 67,000 acres; and nesting facilities for 63,000 acres.

119,000 acres of sportfishing water: provide stream channel structures for 5,700 acres (57,000 structures); remove migration barriers from 1,500 acres (15,000 barriers); fence for channel stabilization on 800 acres (80 miles of stream); control aquatic weeds on 79,000 acres; provide spawning bed shelters for 12,000 acres; and construct 20,000 acres of fish lake impoundments.

7,000 acres of commercial fish-spawning water: provide improved spawning bed for 300 acres; remove migration barriers from 500 acres (5,000 barriers); fence for channel stabilization on 700 acres (70 miles of stream); construct 5,500 acres of rearing ponds.

Administer and coordinate fish and wildlife habitat activities on all National Forest lands to produce the optimum populations consistent with land use priorities. Protect rare and endangered species through management practices specially designed for that purpose.

Recreation and Wilderness: Within 10 years, accommodate an increase of 138 million visitor days. The 1970 level was 171 million visitor days. During the period:

Plan and develop new Forest Service-operated recreation sites with a people-at-one-time capacity of 537,000;

Plan and arrange for development of new concessioner-operated sites with a people-at-one-time capacity of 654,000;

Maintain facilities and provide sanitation and cleanup to standard;

Provide interpretative and orientation services;

Administer 20,000 recreation residence permits but provide no additional sites;

Manage wilderness, reclassify primitive areas, and identify and study other areas warranting consideration for classification; manage such identified areas so as to not compromise the possibility of wilderness classification, pending study;

Encourage appropriate expansion of the National Wild and Scenic Rivers and the National Trails Systems and manage many thousands of miles of these Systems; and

Accelerate development and use of methods to better recognize and protect landscape values in the design of resource use activities.

New Forest Service-operated recreation sites will be provided in areas which represent a broad spectrum of recreation experience. This spectrum is reflected in five levels of recreation facility development and environmental modification—from primitive to modern. Emphasis in facility development will favor larger sites located closer to population concentrations and often associated with water-oriented environments. Larger sites lend themselves to more efficient sewage treatment, more adequate public protection, and improved control of vandalism.

No recreation facilities will be developed for public convenience in wilderness or in areas identified for wilderness study. Existing non-conforming facilities and structures will be removed from classified wilderness as funds permit. It may be appropriate to provide minimal sanitary facilities in wilderness to adequately protect environmental values, such as water quality; trails will be constructed in wilderness to provide for improved distribution of public use and for administration. Controlled visitor use in wilderness exists now in some National Forest units of the Wilderness System, and much more of this will occur during the coming decade. Large problems confront the Forest Service in removing non-conforming improvements, structures, and practices and in cleaning up behind wilderness users.

Range Resource Management: By the end of 10 years, increase livestock forage by 1.6 million animal-unit-months annually. The 1970 level was 7.9 MM AUMs. 0.5 MM AUMs of forage would bring capacity into balance with current stocking; 1.1 MM AUMs for forage would be available for increased stocking. Bring 7,800 range allotments under intensified management. Manage 11,700 grazing allotments. During the period:

Revegetate 2.6 million acres: 1.9 million acres of brush removal with grass seeding on about one-third of that area; 0.1 million acres of poison plant control; 0.3 million acres of seeding grasses and herbaceous plants; 0.2 million acres of range fertilization; and 0.1 million acres of mechanical range improvement.

Construct 12,700 water developments: 5,525 springs, 810 wells, 4,480 earthen reservoirs, 775 holding tanks, and 1,110 pit tanks;

Build 16,000 miles fence, 2,000 miles stockrails, and 1,100 miles of pipelines;

Install 4,600 cattleguards and 1,300 corrals;

Control noxious weeds on 96,000 acres.

Soil & Water Management: During the next decade, provide management prescription advice for many National Forest programs which will result in 0.3 million acre-feet of added water annually for water-short areas over an average annual runoff of 182 million acre-feet from Western National Forests. Reduce sediment by 78 million tons annually; reduce floodwater by 1.5 million acre-feet annually.

Accomplish water yield increase by:

Specially designed timber cutting on 800,000–900,000 acres.

Brushland-type conversion on 200,000 acres;

Non-commercial tree thinning on 100,000 acres; and

Limited riparian vegetation removal on 4,000 acres.

In addition, accomplish sediment reduction, water quality and flow modification objectives by establishing vegetation, healing, healing gullies, and otherwise stabilizing from 5 to 6 million acres of land.

Included therein is site rehabilitation work following anticipated natural disasters during the period. Activities include:

Stabilize gulleys on 293,000 acres, control sheet erosion on 2,070,000 acres. and stabilize dunes and blowouts on 18,000 acres;

Rehabilitate abandoned roads on 458,000 acres;

Restore strip-mined areas of 78,000 acres;

Construct sediment basins on 93,000 acres;

Stabilize 80,000 acres of streambanks and 11,000 acres of reservoir shorelines;

Clear debris from 115,000 acres of stream channel and 22,000 acres of reservoirs;

Rehabilitate sites of natural disasters on about 1 million acres of burns, 500,000 acres of flood damage, and 200,000 acres of earthquake areas.

Provide specific soils information and services for management activities—72 million acres.

Provide water quality monitoring for 90,000 miles of streams, 15,570 ponds and lakes, and 2,600 artificial impoundments, and supply supplemental monitoring work, as appropriate.

Endeavor to assure that water resource development proposals are compatible with and harmonize with other resource and environmental values.

Coordinate the study of potential additions to the National Wild and Scenic River System.

Timber Management: By the 10th year, increase the yield of sawtimber by 7.4 billion board feet[1] over a 1968 base of 13.8. Reaching this target level will be dependent on:

Maintaining the current allowable cut of 13.6 billion board feet from areas included in current harvesting plans;

Achieving an additional 1.8 billion board feet of harvest from areas and species not included in current harvesting plans, excluding wilderness, primitive, and other areas legislatively or administratively withdrawn from timber harvest;

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[1] International ¼″ scale.

Increasing thinning and salvage efforts to achieve a production of 2.4 billion board feet;

Making timely, adequate, and successful investments in reforestation and intensive silviculture to result in added growth of 3.4 billion board feet; reforest 3.8 million acres of brushlands and other areas and apply thinning and other cultural measures to another 7.0 million acres of young stands;

Improving utilization of both trees and logs in an amount of about 5 percent—considered to be an increment of yield included in the above;

Developing a technology that will permit harvesting timber from fragile areas without environmental degradation and within the range of economic feasibility;

Continued availability for timber harvesting of the 97 million acres of currently inventoried commercial forest land now available for that purpose or an offsetting of acreage reduction by an increase of growth, through reforestation, thinning, and other cultural measures, in excess of the 3.4 billion board feet specified above;

Developing publicly acceptable timber harvesting and access practices which are compatible with scenic beauty, water quality, and other intangible environmental values; and

Developing adequate substitutes for certain mechanical and chemical tools now widely used in reforestation and timber stand cultural work.

Mineral Management: Endeavor to assure appropriate use of minerals in harmony with other resource and environmental values; minimize risk of irreversible damage to environment and protect lands from unauthorized uses by:

Intensifying administration of 50,000 mining claims, mineral leases, and prospecting permits.

Conducting mineral investigations on 2.5 million acres for multiple-use planning and to keep aware of mineral activity.

Land Uses Management: Assure orderly occupancy and use of about 7,600,000 acres by about 61,000 holders of special land use permits. This represents an anticipated increase of 17,000. The 1970 level was 44,000 permits. This increase would provide for:

1,000 recreation facilities (not recreation residences);
5,000 roads, 7,000 utilities, and 2,000 water facilities;
1,000 industrial and minerals-related uses; and
1,000 community developments.

Special land use permits will be administered in a manner which assures protection and enhancement of environmental values.

Supporting Activities

Forest Land Management Operations: Support land and resource management objectives by:

Completing 30 percent of desirable land exchanges and acquiring 3.3 million acres of land, mostly inholdings and including Land and Water Conservation Fund acquisitions;

Marking 130,000 miles of property lines and .75 million property corners; and

Continuing cooperative land surveying and mapping work.

Forest Pest Control: Protect National Forest land from insects and disease. Develop new techniques and use new and safer chemicals and nonchemical controls (including biological controls) to minimize environmental effects.

Forest Fire Protection: Intensify protection by the 10th year to reduce average annual burn of 209,000 acres by 76,000 acres.

Structural Improvements for Fire & General Purposes: Support land and resource managememnt objectives through construction, betterment, or replacement during the decade of:

300 field offices;
8,500 air facilities, including helispots;
1,700 housing and related improvements;
70 lookout towers and related facilities; and
18,400 communications units.

Maintain structural and communications improvements.

Forest Roads and Trails: Provide adequate access facilities for public use and land management needs. During the 10 years:

Construct or reconstruct 34,000 miles of multipurpose roads and 12,000 miles of trails;

Administer program of road construction by timber purchasers of about 70,000 miles and provide supplemental work, as appropriate;

Maintain 120,000 miles of roads and 97,000 miles of trails.

State and private forestry

Forest Protection

Forest Pest Control: Intensify protection of 62 million acres on which management has been accelerated. Assure continued and accelerated attention to pest control needs by:

Cooperating with States and other Federal agencies in protecting 462 million acres non-Federal rural forest from insects and disease;

Assisting in evaluation of impacts of air pollutants on forests and other vegetation;

Fostering use of environmentally safe controls of insects, diseases, and other harmful agents; and

Helping to safeguard trees in urban and suburban areas.

Cooperative Forest Fire Control: Cooperate with other agencies to raise the level of non-Federal forest and watershed protection to 543 million acres within 10 years. Achieve this by:

Fostering improved techniques of wildfire detection and suppression;

Accelerating prevention efforts and extending protection to nonforest rural areas, as needed;

Assisting in effective use of fire as a resource management tool;

Promoting stronger interstate mutual assistance compacts.

Forestry Assistance

Technical Assistance: Provide technical assistance which will result in an increase by the end of the period of: 91 million visitor days of recreation use in non-income producing recreation on private lands and 4.2 billion board feet of timber harvest[1] from State and private lands. Achieve this by:

Providing assistance in planning and carrying out practices for coordinated production of timber, water, recreation, wildlife, forage, and other forest values on 86 million acres;

Assisting State Forestry Planning Committees;

Providing for production, harvesting, and marketing assistance to 400,000 landowners annually;

Providing assistance in carrying out 32 million acres[2] tree planting and 22 million acres timberstand improvement;

Assisting loggers and processors of forest products to improve utilization, efficiency, and profit;

Assisting communities in protection and management of urban and community forests; and

Promoting use of latest techniques in resource management and helping assure protection and enhancement of environmental values.

Tree Planting: During the next decade, cooperate with States in:

Producing and distributing tree planting stock and seed;

Planting or seeding for reforesting 21.8 million acres; and

Afforesting 350,000 acres for windbarrier purposes.

Cost Sharing & Loans (a new Incentives Program): Cooperate with other agencies in tree planting, stand improvement, and other practices on 45 million acres of nonindustrial forest and reverting lands for purposes of producing timber, water, recreation, wildlife, forage, and other values.

This Program will not produce a significant increase in timber harvest from State and private lands during the 10-year period. It will result in an increase in the annual harvest from these lands by 1985 and thereafter. It will contribute to the base for a shift in the source of increased wood supply from public lands to private lands. This shift would occur during the mid-1980's.

Flood Prevention & River Basin Programs: Provide assistance which will result by the end of the period in: producing 600,000 acre-feet of added water annually for water-short areas; reducing sediment by 355 million tons; improving water quality of 50 million acre-feet; reducing floodwater by 2 million acre-feet; and enhancing recreational opportunities.

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[1] International ¼-inch scale.

[2] Contribute funds toward tree planting on 22.15 million of these 32 million acres.

Achieve this by:

Promoting more effective use of forests for municipal water supply and esthetic or recreational activities related to water use or enjoyment;

Cooperating with other agencies in assisting local organizations to plan and install forestry measures for watershed protection on non-Federal lands.

Rural Community Development: Provide technical assistance to 2,000 counties, 300 planning agencies, and other units.

Urban & Community Forestry (new Program): Provide assistance to 800 urban areas in planning, establishing, and protecting trees and associated woody plants for the protection and enhancement of environmental values. Pest control in urban areas included.

In both National Forest System and State & Private Forestry work—

Visitor Information & Conservation Education: Provide and encourage: opportunities for orientation and interpretation; training in conservation education; training of urban leaders of disadvantaged groups.

Manpower & Youth Conservation Programs: Provide and encourage manpower training programs, other than regular State and private employment, which provides unemployed and underemployed citizens with work experience, vocational training and/or education so their employability is increased. Provide liaison and coordinate activities with Federal, State, private, and local agencies regarding youth programs.

Research

Forest & Range Management Research: Develop knowledge and technologies applicable to over 1 billion acres of Federal, State, and private forest and range lands required for resource management decisions and practices that will:

Improve the productivity of forests and ranges of the United States;

Provide criteria for determining optimum mixes of multiple forest products;

Reduce the cost of production and extend supplies; and

Maintain viable forest ecosystems and improve quality of man's forest environment, particularly at the urban forest interface.

Forest Protection Research: Develop knowledge and technology needed to:

Reduce the number of occurrences and the magnitude of destruction of forest resources and wood in use caused by fire, insects, disease, wind, water, and earthquakes;

Better predict the time and location of resource destructive situations; and

Reduce the environmental hazards and cost of controlling destructive agents in order to protect increased investments in resource development.

Forest Products & Engineering Research: Provide new technology for:

Extending the supplies of wood-based materials;

Reducing the cost of harvest and manufacture of wood and related products;

Making more efficient use of wood and other forest products;

Providing opportunities for increased resource services, such as recreation and environmental amenities;

Reducing public costs for wood-based materials; and

Ameliorating environmental pollution.

Forest Resource Economics Research: Develop and provide:

Up-to-date information on forest resource capacity, current production, projected demands, costs, and benefits of forest environment amenities; and

Marketing and economic technology for guiding optimum resource conservation and development, decision models, manufacturing and marketing activities.

Reliable and current knowledge for the forest resource potentials and projection demands are essential for sound national resource policies for the Nation, and economic and marketing technology are major components of both public and private resource enterprises.

FEDERAL PROGRAM COSTS

A program of this magnitude to provide forestry goods and services from public and private lands would cost about $14 billion during the coming decade (constant dollars). It would result in a generally rising level of outputs throughout the period.

If the fiscal situation or other constraints preclude implementation of planned work on schedule, the Program could be extended into future years. In that event, adjusments would be made in current budget recommendations with the objective of improving program balance at whatever level of funding is available.

Draft—USDA Environmental Statement, Prepared in Accordance With Sec. 102(2)(c) of Public Law 91-190 Regarding Forest Service Environmental Program for the Future

BACKGROUND

This statement, prepared for the Forest Service Environmental Program for the Future, is broad in scope and does not discuss in specific terms environmental impacts which will result from the Program. People should be aware that there will be innumerable impacts, and many of them will be adverse. In certain localized situations and for limited periods of time, some impacts will be severe, and some will be irreversible. On balance, good use will be made of the many opportunities for environmental enhancement. The Program's central thrust is to minimize the environmental impact of resource management activities—in terms of both space and time—consistent with existing knowledge and technology and in keeping with the Nation's effort to improve living conditions for the American people.

The Forest Service Environmental Program for the Future is not designed to prevent the environment from changing. Rather, it recognizes and accepts man as a part of the environment and proposes to utilize man's ability to protect and enhance the same resources that provide him with goods and services.

STATEMENT

(i) *Environmental Impact*

Programs and activities within all three areas of Forest Service responsibility—Forestry Research, State and Private Cooperative Programs, and National Forest System Administration—will produce profound environmental effects. A few examples illustrate the broad scope of Forest Service involvement in environmental matters:

> *Research.*—Improved utilization of logging residues will result in fewer trees used for commodity production and more trees available for other purposes, including environmental benefits.
>
> Better methods of utilizing urban solid wastes through recycling will reduce the pollution potential of waste materials and at the same time reduce the demand for raw material resources.
>
> Improved methods of disposing of logging residue will result in less air pollution from smoke and less water pollution from degrading wood chemicals.
>
> Negative effects may include disturbance of soil and vegetation, but such disturbance will be minimized.
>
> Studies of campground management as related to ecological considerations will help to maintain quality of experience for campers.
>
> *State and Private Programs.*—Accelerated programs in tree planting, seeding, and timber cultural work on nonindustrial private forest land will result in an improved pattern of timber harvest between public and private lands during the 1980's. Adverse effects of this Program will include disturbance of soil and vegetation and enrichment of waters as a result of fertilization. Such side effects will be controlled and minimized.
>
> Assistance in the evaluation and management of such environmentally critical areas as wild and scenic rivers, municipal watersheds, water development projects, and strip-mined areas will result in an improved level of environmental benefits from these areas.
>
> *National Forest System Administration.*—Resource management activities will affect large areas in many and varied ways. Examples: Up to 23 million acres through timber sales (over 7 million of which would be group, patch, or strip cutting); 3.8 million acres through tree planting and seeding of brush covered and other lands; 3.7 million acres through fish and wildlife habitat improvement; from 5 to 6 million acres through rehabilitation of watershed lands. These activities will result in environmental impacts mostly in the areas of landscape esthetics and water quality. Adverse impacts will be minimized.

> An improved interdisciplinary approach to management prescriptions and a more sophisticated monitoring procedure to check ecological response against predicted results will lead to increased professionalism in environmental management.

It is estimated that 60 percent of the Forest Service Environmental Program for the Future is directed toward environmental protection or enhancement.

(ii) *Adverse environmental effects which cannot be avoided*

Many National Forest areas currently in a relatively unmanaged of pristine condition are counted upon to provide products and services for the future. Disturbance is inevitable as such areas come under more intensive management. Less obvious are the changes that occur continuously due to management activity in those areas already in a managed condition. Timber harvesting, minerals development, road construction, recreation development, human use, and a host of other activities all affect the environment, largely in landscape esthetics and water quality. While some of the adverse effects can occasionally be balanced by environment-enhancing activities, more frequently they can only be minimized or partially mitigated by carefully designed and intensively implemented management prescriptions.

(iii) *Alternatives to the proposed action*

The mix of proposed programs and activities can differ from that tentatively proposed for the Environmental Program. Shifts could be made in the relative attention given to Research, State & Private Cooperative Programs, and National Forest System Administration. More emphasis could be placed on developmental uses of the forest, such as timber production, road construction, and recreation facilities. Or greater emphasis could be given to wildlife habitat improvement, watershed management, and primitive-type environments. Any significant shift in the mix would result in an important shift in program consequences.

(iv) *Relationship between local short-term uses of man's environment and the maintenance of long-term productivity*

In order to increase or even to sustain the long-term level of forest-based goods and services, it is inevitable that certain short-term adverse environmental effects will occur. The challenge of the future will be to combine the latest knowledge, technology, and management skills in a way that will minimize these short-term effects consistent with whatever price the Nation is willing to pay.

(v) *Irreversible or irretrievable commitment of resources*

In the long run, very little activity in the field of renewable resource management is irreversible or irretrievable. To most Americans, a forest cutover 100 years ago and left alone since then would be a wilderness today. And man can help accelerate this process just as surely as he can build a four-lane highway across a pristine landscape.

However, as generally understood, roadbuilding, timber cutting, facility construction for many purposes, and other activities in an as-yet-undeveloped area can rather permanently change the wilderness character of such areas. While the Forest Service Environmental Program for the Future proposes to minimize man's adverse effects on his environment and to enhance the environment in some situations, it will not maintain a wilderness character on National Forest lands that are not managed specifically for that purpose.

CONSULTATION AND REVIEW

Specific consultation in the development of various aspects of the Forest Service Environmental Program for the Future is a continuing process. The Forest Service intends to continue existing relationships with many agencies as the Program is implemented on the ground and in the laboratories. One reason for distributing the tentative Program is to invite review and comment by Federal, State, and local agencies and by citizen groups and individuals.

It is expected that, as the Program is implemented, appropriate review will occur on a State and local basis.

Separate environmental statements will be prepared for each legislative proposal related to the environment, including annual appropriations requests. More meaningful, because of the greater opportunity for public involvement and because proposals can be better understood and discussed in specific terms, will be the processes envisioned for focusing on a range of resource management alternatives for specific National Forest areas. These specific units of land will be of such size and characteristics as to be easily envisioned by most people; and resource management alternatives will be presented for discussion in such a way that their effects can be readily understood.

It is anticipated that such a procedure will insure more meaningful involvement by a better informed public and better decisions by the resource manager—all leading to an improved environment for the Nation.

A FORESTRY INCENTIVES PROGRAM FOR THE SEVENTIES

(A USDA Proposal for Private Nonindustrial and non-Federal Public Lands)

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SUMMARY

The demand and supply outlook for timber for housing and other purposes indicates severe shortages and much higher prices unless strong effort is made now to improve the productivity of the Nation's 300 million acres of private nonindustrial forests. These private forests are now producing less than half their potential. The 180 million acres of industrial and Federal forests cannot close the supply gap. Their capacity will have been reached by 1985.

The principal supply problem is softwood lumber and plywood; but future supplies of pulpwood and high quality hardwoods also are threatened.

In addition to solving the timber supply problem, is the need for protecting and enhancing forest-related environmental values that are essential to rural and urban life. The private nonindustrial forests must play an important role in solving this problem.

They must also help meet the increasing demand for a wide variety of forest-based recreation. Because of their large acreage, and their proximity and accessibility to population concentrations, the recreation potential of these forests is great.

Solution of these problems will require long-term investments with a relatively low rate of return. The benefits in most cases accrue to the general public rather

than to the landowners. Current programs do not offer incentives that will overcome these obstacles to private investments. The proposed program offers new incentives for accomplishing this.

The principal objective of the program recommended is increased softwood production. Enhancement of the environment, production of nontimber goods and services, and increased production of high quality hardwoods are also emphasized.

The measures that would be taken include:

Resource protection and environmental enhancement.
Forest establishment.
Forest improvement.
Recreation and wildlife habitat improvement.
Complete management planning.
Production of nontimber products.

Cost-sharing for program practices will be the major incentive, at least during the first few years. Special incentives would be used when needed to assure availability of trained and organized work crews, equipment, planting stock, and other operational needs. Incentives such as loans and annual payments would be tested on a pilot basis.

Incentives would be made available for improving nearly 38 million acres of forest in State, county, and municipal ownerships in addition to the nonindustrial private forests.

The program is designed to fill specific gaps in existing cooperative forestry efforts. It will not duplicate existing institutional or operational approaches, but will add to and complement existing forestry efforts.

The major agency roles in the USDA will be played by the Forest Service, the Agricultural Stabilization and Conservation Service, the Farmers Home Administration, the Extension Service, and the Soil Conservation Service.

The Forest Service will provide leadership and coordination at the National level. It will work mainly through the State forestry agency or equivalent agency that will direct field administration of the program.

During the first year the proposed program would provide for treatment of more than 1.6 million acres at a Federal cost of $21.3 million, of which $1.8 million would be loans.

In 10 years treatment for 56.7 million acres would be provided at an average annual Federal cost of $98.5 million, of which $4.4 million would be loans.

The program is expected to increase annual growth of softwood sawtimber by 8.6 billion board feet. This program will be needed throughout the next 28 years in order to supply the estimated 20.9 billion board feet needed from nonindustry private lands by the year 2000 at a relative price index of 115 (100=1962–1967 average prices).

ABSTRACT

By 1985 industrial and Federal forests will not be able to provide the larger harvests that will be needed for housing and other uses. To supply these projected demands, far greater use must be made of private nonindustrial forest lands. Action must be taken now if future needs are to be met.

Thus the No. 1 forest opportunity in the United States lies in the hands of the four million private owners of nonindustrial forests. The 300 million acres they own are among the country's best forest land. These lands could provide 60 percent of the Nation's wood and forest-related benefits. Proper management of these lands is essential to a healthful environment and a strong rural economy. Because vital investments have not been made, they are now producing at only about half their potential capacity.

Incentives are needed to stimulate forest development on these privately owned forests. This development would help satisfy increasing demands for wood products: it would enhance the environment; and it would provide other forest-related assets such as water, scenic values, wildlife, and recreation. In addition, it will help to dampen the upward trend of prices resulting from the expanding demands for housing and timber.

This proposal provides cost-sharing, loans, and special incentives for private owners to manage their lands so as to yield public benefits. It includes the following measures:

Resource protection and environmental enhancement.
Forest establishment.

Forest improvement.
Recreation and wildlife habitat improvement.
Complete management planning.
Production of nontimber products.

A closely-related opportunity lies in the State, county, and local public forests which are not presently reaching their potential productivity. This proposal also provides incentives that will encourage greater use of these forest lands.

Operating through the U.S. Department of Agriculture and the State cooperators, incentives will help America to enhance its environment and make better use of its natural resources in fulfilling its needs for the year 2000 and beyond. The consumer will benefit through an ample supply of wood products and more stable wood product prices, through an improved environment, and from other forest-related resources. The landowner will receive increased income, and rural communities will profit from better economic opportunities.

I. THE CHALLENGE

The rapid increase in the price of softwood lumber and plywood in 1968–69, coupled with other events, has aroused national concern over our ability to meet present and long-range demands for the production of timber supplies and other forest values. Protection of the environment, including the control of water and air pollution, in addition to timber cutting practices, and wilderness reservations, have gained the critical attention of the public.

By 1985 industrial and Federal forest lands will not be able to provide the larger timber harvests that will be needed for housing and other uses. These lands are already approaching their optimum porductivity. But even when they have reached this peak, the projected demands for timber cannot be met from these lands alone. So the United States must look elsewhere for the added forest resources needed to forestall the shortage of forest products that is almost certain to come.

The rising pressures on forest land generate a variety of interrelated demands. Even though difficult to measure precisely, the projected demands for wood products, environmental enhancement, and other forest-related assets (such as water, scenic values, wildlife, and recreation) are truly staggering.

Fortunately the Nation is richly endowed with potentially productive forest lands. But action to intensely develop much more of this land must begin at once.

The No. 1 forest opportunity in the United States lies in the hands of 4 million private owners of nonindustrial forest lands. These holdings, totaling 300 million acres, account for nearly 60 percent of the land available to supply the huge demands for timber forecast for the future.

Most of these private nonindustrial forest lands have been cutover. Many are unmanaged and poorly developed. As a result, their contribution to wood production and related forest uses is less than half their potential. If projected demands are to be met, far greater use must be made of these 300 million acres of private, nonindustrial forest lands.

The nearly 38 million acres of forest land in State, county, and municipal ownerships also offer many opportunities to increase the Nation's forest resources. Three-fourths (29 million acres) are classed as commercial forest that could contribute sustained yields of timber. Forests on these non-federal public lands developed now would provide timber which would be available for harvest about the year 2000 when serious shortages are projected.

Meeting the demands on forest lands requires approaches that can accommodate consumptive use of forest resources and yet safeguard and enhance the environment. When managed as renewable resources, forests can do both—but a high order of sensitivity and technical skill is needed. Achieving this balance on hundreds of thousands of tracts owned by a great variety of people who use the land for a multitude of purposes is the overriding challange to be met in designing and applying new incentives that will get the forest development and management job done.

Timber

The most immediate and critical timber need is for softwood lumber and plywood. To reach national housing and other goals without major increases in the prices, annual softwood lumber and plywood supplies should be increased almost 50 percent by 1980 and more than doubled by 2000. Supplying enough timber to dampen price rises for softwood lumber and plywood would give a direct and obvious benefit to the consumer. According to recent studies, large investments will be needed in order to grow and harvest enough sawtimber to keep prices of softwood lumber and plywood near the 1962-67 level. And it would not be in the public interest to let the relative price index rise to 165 by the year 2000, as would happen if recent trends in the intensity of management of forest lands continues.

Appendix Table 1a projects the year 2000 demand and supply situation for softwood sawtimber by ownerships at various relative price indexes from 100 to 165.(100= 1962-67 prices). To maintain a relative price of 115 at 1962–67 average prices, the required additional supply of softwoods from nonindustrial private lands is 20.9 billion board feet over the 1967 level of growth. This assumes accelerated management on public lands and various degrees of intensification on nonindustrial private lands.

For the next 15 years or so the public lands must supply most of the increased softwood demand. Beyond 1985 private nonindustrial lands must meet the increased demand. This has key significance: By increasing harvests from National Forests through more intensive management, it will be possible to "buy" the time needed to prepare private nonindustrial lands to pick up the burden. Beginning a decade or so from now, softwood timber harvesting must move increasingly to the private nonindustrial lands.

Efforts for increasing production on these private lands must be expanded now if these objectives are to be met. About 40 percent of the Nation's softwood acreage is in these holdings, including a large share of the most productive sites, but in 1967 they produced only 27 percent of the softwood sawtimber. The 100 million acres of pine and other softwood lands in small ownerships, together with the possibility of new plantings on millions of idle or nonstocked areas, present an opportunity to meet forest products demands and yet keep consumer prices at tolerable levels in line with prices of other materials.

Sharply increased demands for hardwood sawtimber likewise will have to be met. Hardwood supplies are already scarce in some areas.

Hardwood forest lands in the United States have the capability, under management, for producing enough hardwood timber to meet projected demands for the next 10 years. High quality hardwoods, however, are already scarce in some areas. Most of the recent increases in the hardwood timber inventory have been supplied by the less desirable species and inferior trees. Inventories of the more desirable species such as yellow birch and black walnut have declined. Much of the larger timber suitable for manufacture of high-quality sawtimber and veneer occurs as single trees or as groups of trees that are economically harvestable. Part of the hardwood timber in the East is on small private tracts used for homesites for other nontimber purposes not compatible with timber harvesting.

As with softwoods, the private nonindustrial lands must carry the burden of meeting the projected shortages in hardwood products. And because of the slower growth rates and longer rotations required to produce hardwood sawtimber of high quality, action must be started now to make it possible to meet projected demands.

Demands for pulpwood are rising even more rapidly than for lumber and plywood, and will continue to rise sharply in the next few decades. Rising prices of pulp and paper products can be expected unless action is taken to greatly increase pulpwood supplies. Needed also are improvements in technology in, and greater use of forest and mill residues.

The President's Cabinet-level Task Force, the Office of Management and Budget "issue papers", the Southern Forest Resource Council, and the National Trees for People Task Force have all identified the scope and nature of the timber supply problem as it relates to our privately owned forest resources. Each report in turn has emphasized the need for new action programs to help improve the condition and productivity of these private holdings.

Other Forest Uses

Forests are recreation and wildlife lands, watersheds, open space, and wilderness, as well as timberlands. As the public becomes increasingly aware of environmental problems, conservation concepts are broadened and nontimber uses of forest land become more important. As a result, public needs for, interest in, and support to obtain these added uses are increasing, especially in densely populated areas. And as the number of owners of farm forests decreases and the number of non-farmer owners increases, the range of interest in forest uses has broadened and support for forestry has increased.

Translation of this support into public policy and action are evidenced by the Multiple Use Act, the Wilderness Act, the Land and Water Conservation Fund Act, the Federal Water Project Recreation Act, the Water Resources Planning Act, the Water Quality Act, the Clean Water Restoration Act, the Wild and Scenic Rivers Act, the Estuary Protection Act, the Environmental Protection Act, and Executive Order 11514. These all establish preservation and improvement of environmental quality as major concerns of natural resource programs. President Nixon has recognized the growing public concern about the inseparable relationship between the need for producing more timber and the need for protection of the forest environment. He has directed that a panel of distinguished citizens be invited to study the entire range of related problems.

As population grows, public demand on forest resources for recreation, wildlife, wilderness, and beautification increases at accelerating rates. The most pressing needs for these and other purposes are in the East where population pressures are greatest, where the availability of public land is especially limited, and where private nonindustrial commercial forest lands comprise a large part of the total land area. The North Atlantic Region, for example, contains 25 percent of the Nation's population on only 5 percent of the Nation's lands—but 60 percent of this land is forested. New Jersey, one of the States with the highest population density, is 46 percent forested. In these areas most of the forest land is privately held.

Private, nonindustrial, commercial forest land comprising about one-sixth the total land area and almost half the total forest area of the coterminous United States offers a prime opportunity to meet the need for nontimber forest resources. It is adjacent to densely populated areas. The total area proposed for treatment in this program is about equal to all the land in the coterminous United States in rural parks (including the National Park System, State parks, and related recreation areas, and National Forest wilderness and primitive areas). The national and regional importance of this category of land can be seen in Table 1.

TABLE 1.—FOREST AREA COMPARED WITH TOTAL LAND AND POPULATION IN THE NORTH, SOUTH, AND WEST

	North	South [1]	West [2]	Total
U.S. population (1965) . . . millions . .	102	48	26	176
Land area . . . million acres . .	630	510	780	1,920
Forest area . . . do . . .	180	220	240	640
Per capita . . . acres . .	1.8	4.6	9.2	3.6
Private, nonindustrial, commercial forest area . . . million acres . .	128	146	28	302
Per capita . . . acres . .	1.3	3.0	1.1	1.7

[1] North Carolina, South Carolina, Virginia, Florida, Georgia, Alabama, Mississippi, Tennessee, Arkansas, Louisiana, Oklahoma, Texas.

[2] West of the Great Plains.

If private forests are to be managed for uses beyond wood production, added incentives are necessary; such incentives would include higher costsharing and use of funds for forestry conservation practices in a total and integrated resource context. This is because multipurpose management usually results in intangible benefits or benefits that accrue to the public generally rather than to the landowner who bears the burden of establishing the conservation practice. This is particularly true for forest recreation, wildlife, watershed, erosion control, and beautification practices where, because of the long-term nature of forestry or because many of the effects are external to the site of application, the benefits accrue to the general public or to future generations rather than to the present landowner.

Environmental Enhancement

The need to restore and protect natural environment in the United States has become acute. Few, if any, issues are more significant. Among the concerns of the Department of Agriculture, *The Seventies, as the Environmental Decade*, present a unique opportunity for State and Federal agencies to work with landowners and others in meeting that challenge. Establishment of the Environmental Quality Executive Committee by Secretary Hardin illustrates the major emphasis given to this subject in USDA. Public Law 91-190 and Executive Order 11514 set a course that clearly requires the kinds of forestry measures and incentives described in this proposal.

Fortunately many forestry practices can contribute to environmental improvement. In bringing new forest management incentives to private nonindustrial landowners, there is ample opportunity to focus attention on environmental values associated with forest lands.

Sediment from eroding soils is the greatest single pollutant of America's water resources. Yet, experience has shown that establishing and maintaining forest cover is one of the best ways to reduce sedimentation. Soil erosion from road banks, stream banks, logging roads, trails, and strip-mined areas on private nonindustrial forest land causes serious environmental and economic losses. As timber harvesting and other forest activities expand to meet the demands of a growing population, the need for preventive or corrective measures will become even more acute.

Estimates indicate at least 4½ million acres of critical area stabilization work are needed within the 300 million acres of private nonindustrial forest land. A comparable problem exists on non-Federal public lands.

More than 175,000 miles of logging roads and skid trails need treatment to prevent or reduce soil losses and sediment impacts downstream. Techniques to eliminate this backlog and to reduce the impacts on current activities are well known. But there has been a lack of effective incentives to motivate landowners to take the steps needed to produce environmental and other benefits that will accrue to others—downstream and elsewhere.

Erosion control is only one example. Small tracts of private nonindustrial forest land are too commonly used as dumping grounds. Many woodlot owners give no thought to esthetic values or to safeguarding or amplifying the natural beauty of the forest. With encouragement and technical advice, modest investments in appropriate forest and forest land practices can do much to enhance the natural environment.

Many landowners who are interested in esthetics and natural beauty, cannot afford the investments needed to enhance those qualities on their own land. Cost-sharing incentives could result in practices that would substantially eliminate "eyesores" in the countryside and otherwise improve opportunities for public enjoyment of the forests.

These benefits cannot be measured in dollars and cents but must rank high among the priorities for expenditures of money, time, and effort. By designing and applying incentives that will capture the full potential that exists in holdings of private nonindustrial forest lands, immeasurable benefits will result.

Outdoor Recreation

Demands for outdoor recreation will increase at a rapid rate and forest lands are primary settings for such recreation. In the eastern United States such settings are in small private holdings. Opportunities for recreation in a forest environment near population centers—without crowding into parks and other public tracts—require access to more of the 300 million acres of nonindustrial forest land.

National Forests provide about 50 percent of all recreational activities on Federal lands but fulfill less than 2 percent of the current demands for outdoor recreation. Of the National Forest acreage, 85 percent is in areas that contain less than 20 percent of the population. With the demand for outdoor recreation projected to increase by 250 percent by the year 2000, it is clear that the Federal lands will not be able to satisfy this demand.

In 1965, land-based recreation amounted to 9.2 billion activity days. The number of activity days is projected to increase to 13.5 billion by 1980 and to 22.3 billion by 2000. Forest-based recreation is expected to increase at the same pace—perhaps even faster. In any case, the demand for public access to a nearby forest setting for recreation will more than double in the next 2 or 3 decades.

Dispersed recreational activities, such as driving for pleasure, hunting, and hiking—in contrast to concentrations of recreation use at campgrounds and picnic areas—are highly popular pursuits which require "elbow room."

Hiking is one of the most popular outdoor activities. Legislation to establish the National Trail System is a recent indication of this. The 300 million acres of forest land in private nonindustrial holdings contain countless opportunities for recreational trails. These could be "feeder" trails to augment the National Trail System, nature trails for visitors to campgrounds or picnic areas, or access routes to trail systems on public lands. In addition to hiking and snowmobile use, some recreationists may want to take to the trail with motorbikes, bicycles, or horses.

Streams and rivers that flow through forest lands, provide opportunities for canoeing, fishing, and boating. The National System of Scenic and Wild Rivers illustrates the public interest in activities that can be accommodated by development and improved access to nonindustrial forest lands.

Increased mobility, greater affluence, and more leisure time, when added to the effects of increases in population, make it clear that forest recreation demands will impact heavily on private nonindustrial forest lands in the years ahead. Much can be done to motivate landowners to permit or encourage use of their lands for public recreation. Besides meeting a significant need for nonlandowners, such activity could supplement the income of owners who wish or can be encouraged to coordinate public recreation with other uses of their lands.

Fish and Wildlife.

The projected supply-demand pattern for fish and wildlife is similar to the pattern for recreation. Projected demands are greatest in the East where land categories that can be used for these purposes are limited, where public land available for recreation and fish and wildlife programs is very limited, and where private nonindustrial forest ownership is much more dominant.

Fish and wildlife resources provide outdoor recreation for about 40 percent of the Nation's people. Surveys indicate that millions of others, especially in or near urban areas, would participate if opportunities were available.

Projected demands for fish and wildlife values indicate there is an urgent need to create or improve habitats, especially near urban areas, for the planned production of wildlife. Demands for hunting are projected to increase almost 80 percent by the year 2000, while demands for fishing will more than double. The nonconsumptive values of wildlife are increasing even more rapidly as sportsmen, bird watchers, naturalists, and others place greater emphasis on viewing live animals in their natural settings. More wildlife is needed and much needs to be done to provide it.

Table 2 projects the demand for hunting opportunities. It also shows that the regional distribution will focus hunting pressures in the East where private nonindustrial forests predominate.

TABLE 2.—DEMANDS FOR HUNTING IN RELATION TO AREA AND TIME

[Million man-days]

Region	1960	1980	2000
North	128	158	193
South	77	110	141
West	26	44	59
Total	231	322	393

Demands for freshwater sport fishing opportunities show the same trend—from 471 million man-days in 1960 to 971 million in 2000. The demand is projected to be even more concentrated in the East than is the case with hunting. Thousands of miles of fishable streams and acres of lakes and ponds on private nonindustrial forest holdings.

Fortunately, most of the 300 million acres of private nonindustrial forest lands are relatively close to the Nation's population centers. More than 80 percent of Americans must depend on these lands as their primary sources of contact with wildlife. Management and development of these forests can enhance the food, cover, water, and other habitat elements that are essential for abundant production of healthy and vigorous game animals, songbirds, and other forest fauna. Landowners need to be better motivated to include this type of activity among their management objectives.

2. THE FRAMEWORK

This proposal and its recommendations for new incentives to improve forestry practices rely on a basic framework of existing programs, policies, and guidelines.

The following considerations led to the preparation of this proposal and would guide its implementation:

Management of Forest Lands

Management of forest lands must reflect the need to increase environmental and other forest-based benefits. Management of forest lands must be intensified if it is to meet future demands for wood products. Responses to measures such as tree planting have been estimated and analyzed for cost effectiveness.

There is an equally clear need to establish special practices and to modify management for timber production in ways that will protect, improve, and increase water yields, wildlife habitats, soil stability, recreation opportunities, and esthetic qualities. Some of these benefits are compatible with timber production and in themselves are rewarding to the landowner. Others can be obtained only through special incentives shaped and guided to attain them.

The needs for increased production and for enhancement of the environment are intertwined and inseparable. Incentives would be designed to fulfill both these needs.

No Surplus of Forest Products

No surplus of wood or other forest values will be created. The level of incentives proposed is designed to yield the supply of timber that will be needed in the future. The demands for wood from nonindustrial forest lands have been quantified precisely enough so that the level of effort required (in terms of acres, dollars, and other units) can be prescribed with some accuracy.

The level of effort recommended to increase non-timber values is scaled down well below what appears to be needed. With experience in the program, the demands and the efficiency of various approaches can be evaluated more accurately and program levels can be adjusted accordingly.

Incentives Tailored to Results

Incentives should be tailored to achieve the required level of effort without payment for more nor less than is needed to obtain the desired results. The objective is to obtain landowner participation on a scale large enough to meet projected demands and at the lowest possible cost. Incentives for the various measures will be keyed to differences in landowner objectives in relative contribution to program goals, in the mix of public and landowner benefits, and to shifts in priority as supply-demand projections change.

Lands for which there has been cost-sharing for forestry practices through this program would not be eligible for other cost-sharing practices that would tend to negate the forestry practices. Administrative regulations will be established by USDA to safeguard the public interest and to assure maximum cost effectiveness.

Forest Protection

Forest protection is essential. To a large degree, existing cooperative programs for resource protection (operated by the Forest Service and the State forestry organization, with participation by the forest industry and large landowners) provide the mechanism for safeguarding landowner investments. Wildlife and pest-control legislation is generally adequate although funding levels are substantially below those required.

Continued Research

Continued research is essential. Much research now under way relates to problems faced by owners of nonindustrial forest lands. But much more information is needed before the means for realizing the full potential of their lands can be fully identified and made available. Ongoing research programs of the Forest Service, Economic Research Service, Land-Grant Colleges, and others have the authority, potential, and interest needed to support the incentives program; and sufficient flexibility exists to permit greater emphasis on related problems as new research is funded.

Improved Land Use

Land use patterns must be improved. All opportunities to convert unused, unneeded, or misused land to productive forest will be used. Tree-planting incentives will encourage better land use on marginal cropland or on idle acres that are suited for afforestation. Such conversion of use will require knowledge of soils capability.

Rural Development Needs

Rural development needs must be recognized. The rural development mission of the USDA, with the support of States and of other Federal agencies, will be a factor in establishing and administering the incentives program. Priority will be given to measures with good potential for creating jobs, for enhancing the economy of rural communities, and for increasing the incomes of rural families. The rapidly growing numbers of nonfarm ownerships as well as the farm forests must be made to contribute their share to the rural economy.

Existing Programs Not Duplicated

Existing programs, efforts, and facilities will not be duplicated. No duplication of institutional or operational approaches is provided for in the proposed legislation and funding. As the incentives become available to landowners, the full range of USDA, State, and other existing capability will be marshaled to support and encourage useful application of the incentives.

The new incentives fill specific gaps in the existing forestry activities that relate to private nonindustrial and non-Federal public lands. They are tailored to intensify and broaden the motivational forces now at work. They are designed to further encourage landowners to protect, develop, manage, and use their forest resources. Basically, the program proposes actions that are necessary to add to and complement exiting forestry efforts.

The incentives would thus be treated as one of the many forms of assistance available to agencies, landowners, and others interested in improving the productivity, management, and use of forests and related resources. The new legislation is designed to support and be supported by existing laws.

Role of United States Department of Agriculture Agencies

The Agricultural Stabilization and Conservation Service, through its existing facilities, will provide the mechanism for disbursing and controlling cost-sharing payments to eligible program participants. Procedures will be established in consultation with the Forest Service. ASCS will provide representation in National, State, and county, or district incentives program committee responsible for program development and conduct.

The Farmers Home Administration will provide the mechanism for the forestry loan pilot program. It will be responsible for determining loan eligibility of applicants, will disburse loan proceeds, make collections of principal and interest, and will provide borrowers with sound economic advice. FHA will develop policy and procedures in consultation with the Forest Service, and will be represented on Incentives Program Committees in the National Committee and in States, counties, and districts having forestry loan pilot programs.

The Extension Service, working through the State Agricultural Extension Services, will provide leadership and subject matter specialists in a broad field of education, training, and motivation for furthering the incentives program. The Extension Service will provide representation on the National Committee, and will encourage participation of State and County Agricultural Extension Services at those levels and at district levels.

The Forest Service will provide leadership and coordination at the national level. It will work mainly through the State forestry or equivalent agency that will direct field administration of the program. The Forest Service will provide technical support to the State forestry agency when needed and will conduct research. It will chair the National Committee.

The Soil Conservation Service, within the scope of its soil and water conservation program authorities, will provide a wide range of information on soil capability and land use. It will be responsible for the technical phases of certain practices such as those involving pond construction, and will provide representation on the National, State, and local committees.

Technical Assistance and Related Support Services

Adequate technical guidance, supervision, and support are necessary for successful application of measures offered by the new incentives.

Many sources of landowner motivation, technical assistance, and related services are available to forest landowners. These sources include forest industry employees, private consultants, State forestry organizations, Soil Conservation Service professionals, and local soil and water conservation districts.

Related support services might, for example, involve local conservation districts in establishing, equipping, and supervising work crews trained to do resource improvement and development work. State forest nurseries could be called on to supply more tree seedlings. The information and training services of the State Extension Services could be expanded to include promotion of the forestry incentives program. Industry foresters and consultant foresters could include advice on the incentives program in their recommendations to forest landowners.

Other Facilitating State Services

Most States produce or purchase tree planting stock for their own needs and for distribution at or below cost to private owners to encourage tree planting. To meet increased planting needs for private nonindustrial forest land and public land, a cost-sharing program with the States should be made available.

States would be encouraged to establish seed orchards, test the progeny, and produce superior seed for planting stock. Use of improved tree seed for reforestation could increase timber yields by 20 percent.

Technical assistance in utilization and marketing of forest products is another State activity which would be intensified. This activity can achieve better use of timber including the poor quality timber now present in unmanaged stands.

Program Funding

A basic purpose of the authority for the incentives is to establish a program for which there is now no authority, rather than to supplement funding of established programs. Federal agencies providing support services, therefore, would be expected to seek funds through their normal channels to intensify their services and advance the incentives program.

Program funds would be made available for the following purposes:

Cost sharing with landowners for carrying out program practices.

Cost of administering program funds including funds connected with disbursing cost-sharing payments and making loans.

Cost of technical assistance for which agencies are responsible in connection with laying out practices and checking for compliance with specifications.

3. OPPORTUNITIES AND MEASURES

The proposed incentives will foster application of these measures on a sufficient portion of the 300 million acres of private nonindustrial forest land and on the 38 million acres of State, county, and municipal forest land to reach program objectives. Other measures may be added, and all those listed would not necessarily be operational in any given county or State. The measures and corresponding incentives would be tailored to fit the needs in each case.

To illustrate the magnitude of the work, available estimates of the potential area that might be treated under these measures and the potenial added annual growth by geographic region are presented in Appendix Table 2a. All of these measures are in addition to the present level of tree planting, timber stand improvement, and related activities. Costs, 10-year accomplishment targets, and proposed schedules are represented later in the report.

Resource Protection and Environmental Enhancement

To protect resources and to restore environmental quality, special practices are needed in addition to what can be accomplished by modifying timber-related measures. Some of these special practices are closely allied with the items discussed below regarding recreation and wildlife.

Soil stabilization in some places requires planting or seeding to prevent erosion and sedimentation. Road banks, old logging roads, and skid trails may need to be planted or seeded and water bars need to be built. On critical areas spacing of trees and selection of species may be such that economic returns to the landowners are nil. Incentives are needed to encourage him to invest his land and resources in safeguarding offsite values.

Firebreak and pond construction will help protect plantation or other especially valuable and vulnerable stands from wildfires. Incentives could encourage construction of multipurpose ponds that can supply water for wildfire emergencies, produce fish, and otherwise be useful in high-hazard, high-risk areas.

Prescribed burning can reduce the hazards and impacts of uncontrolled wildfire—particularly in the South. Careful use of fire in this way can produce such benefits as increased timber yields, better wildlife habitat, better hunting, and improved esthetics. Reducing ground fuels by small, light burns during favorable weather helps to avoid air pollution from the large, hot wildfires that often occur when the weather does not favor smoke dispersal.

Cleanup of debris in recently logged, storm-damaged, or other unsightly areas along heavily traveled recreation routes or other highly visible places could do much to improve esthetic values. Some landowners might be motivated to share the cost of reducing logging slash that is detrimental to scenic quality. Other incentives could make it practical to set up fuelwood salvage operations and similar practices as an aid to restoring natural beauty.

Fencing is needed in some places to prevent damage to trees and other resources from uncontrolled livestock grazing. These are situations where site potentials are high enough or resources are fragile enough that landowners can be motivated to keep livestock out of the forest. Benefits may include prevention of soil and water damage, improved esthetics, and better quality and growth of trees. Although not a commonplace prescription, fencing is a useful tool in guiding the management and use of some private nonindustrial forest lands.

Forest Establishment

Planting trees today is one of the most cost-effective ways to assure a supply of timber for tomorrow. The backlog of idle acres, poorly stocked forests, and other tracts that could and should be planted is truly immense. The Forest Survey estimates that by 1975 about 100 million acres of non-Federal land will need to be entirely planted or reinforced by planting additional trees to improve stocking. Present accomplishments are estimated to be about 1.1 million acres per year. Planting of unneeded cropland to improve land use patterns and to ease crop surplus problems also presents excellent opportunities.

Planting cropland that is diverted from crop production presents unusually good opportunities to augment timber supplies. Marginal cropland of low productivity presents another good opportunity for tree planting. About 2.2 million acres were planted during the "Soil Bank" or Conservation Reserve Program which began in the 1950's. Today, in the South alone, there is a 4.2-million-acre potential.

Planting idle land will pay off in strengthened rural economies, increased soil stability, and greater timper output. About 7 million acres are available.

Reforesting cutover lands by planting or direct seeding is a continuing need. It can speed the establishment of the new stand, assure full stocking soon after logging, take advantage of genetically superior stock, and otherwise improve timber production. About 2.4 million acres are cut over each year; from one-third to one-half of these lands could probably be reached through an incentive program.

Opportunities to establish new hardwood stands are available. For example, fast growing cottonwood plantations are doing well in the Mississippi Delta region. More black walnut and other fine hardwoods are needed in the East. A 10-year program might encourage planting on some 300,000 acres that have the potential for growing high-quality, fine hardwoods. For the most part, natural regeneration is expected to establish new hardwood stands on cutover areas.

Converting inferior hardwood stands to softwoods by planting provides another way to boost softwood timber production. About 48 million acres, mostly in the South, could be considered for this practice.

Trees in plantations require 30 years or more to reach even minimum sawlog size, so it is clear that stands converted now cannot augment supplies of softwood sawtimber until 2000 or later. Thus, a variety of measures must be taken to meet future housing and other needs. Mature timber on National Forests and elsewhere must meet the demands in this decade. New plantations, if established promptly on a large scale, could help significantly by 2000. The 1980's will be a transition period as harvests of timber from public lands level off at their maximum output, and timber stand improvement done in the 1970's begins to affect available supplies.

Converting inferior hardwood stands to higher quality by improving composition of species for all benefits offers good opportunity for increasing production on high potential sites. Removal of poor species and planting with desirable trees will be needed. Replacement with genetically superior strains also offers opportunity for improving production.

Improvement of Existing Stands

Timber stand improvement practices include removal or deadening of cull trees so that the growing space they occupy is available for better quality trees.

Inferior trees inhibit growth of adjacent trees and use moisture, soil nutrients, and sunlight that could otherwise be concerted into useful forest products. Approximately 15 per cent of the growing space in private nonindustrial forests is occupied by these cull trees. Surveys have shown that this inefficient use of growing space is one of the main reasons why these private forest lands are producing at half or less of their potential.

Cleaning, weeding, precommercial thinning, release of promising young crop trees by removal of overtopping vegetation, and site drainage, are other examples of cultural work that can convert an unmanaged forest into an asset for its owner and for the Nation.

There are 269 million acres of commercial hardwood forest and 240 million acres of softwood forest in the United States. A large part of these stands consists of less desirable species and low-quality trees.

Much hardwood acreage should be converted to softwood stands. But most of the hardwood acreage, however, needs timber stand improvement designed to increase the percentage of preferred species and high-quality trees if future demands for hardwood sawtimber are to be met. Much the same is true of the softwood acreage.

The following table, based on recent analyses of Forest Survey data, nonindustrial forest land which could be made to produce more timber if given stand improvement treatment:

Timber types	Millions of acres suitable for treatment			
	South	North	West	Total
Softwood	19.5	1.4	6.4	27.3
Hardwood	13.3	15.1		29.4
Total	32.8	17.5	6.5	56.7

At the current rate, only 450,000 acres of timber stand improvement is being applied on private nonindustrial forests—far less than is needed to tap the productive potential of these lands.

Improvement of existing stands begins to pay off almost immediately in the form of increased usable growth. The response as increased growth continues is cumulative, and is very significant over a 10-year or longer period. Applied correctly, cultural measures are highly cost effective. They can help bridge the supply gap anticipated between the time when public land harvests peak and when the plantations established in the 1970's are mature enough to yield sawlogs.

The incentives proposed are aimed at fostering the most effective practices on the most productive sites. Only part of the backlog of work can be targeted for the 10-year period.

The best combination of cultural practices and the necessary level of participation by landowners will have to be worked out as the program evolves. For example, the extent of stand establishment will have a bearing on the kinds of stand improvement practices that should be applied and their timing.

Recreation and Wildlife Habitat Improvement

Modification of timber practices is a very effective tool in multi-purpose management. But there is also a need for specific practices that will enhance recreation use and improve wildlife habitat. These two uses are closely allied. Wildlife population provides the foundation of many outdoor recreational activities. Thus, improvements in wildlife habitat usually add to recreational opportunities.

Planting to provide better food and cover for wildlife can help make more effective use of diverted cropland, openings on forest land, firebreaks, rights-of-way, and other areas.

Planting food patches leaving openings, and creating "edge effects" that are favorable to wildlife can sharply increase the carrying capacity of the land for some wildlife species.

Preservation and management of wetlands are examples of how incentives can be used to protect and maintain a particular kind of a forest resource that is best suited for wildlife, recreation, or some other purpose. Some motivation is needed to provide landowners with an alternative to actions of marginal value which would destroy the resource or preclude non-timber uses and benefits. Other examples would be fencing to exclude livestock from plantings, intermingled forests and fields, or other areas especially important in terms of wildlife habitat. Public access to private nonindustrial forest land and related land is a critical need where public lands are inadequate to satisfy demands. This is particularly true in near-urban areas where parks and other public lands are overused and where city people are seeking a forest environment for nearby recreation. In some areas most of the forest and open land is under lease to hunting clubs or posted against trespass, making enjoyment of wildlife unavailable to the general public. Appropriate incentives would encourage owners to make investments that would encourage public use of their property and to accept the inconveniences inherent in such use.

Trees in and near campgrounds, picnic areas, and other developed sites can enhance the recreational experience in a forest setting. Plantings can screen, beautify, or otherwise increase the attractiveness of areas where recreation activities are concentrated. Cultural practices can modify tree and other vegetation to improve appearances, promote the safety and comfort of recreationists, and otherwise enhance opportunities.

Trails can help satisfy the needs of many recreation seekers. Nature trails, bird walks, bridle paths, bicycle routes, hiking trails, and well-marked skimobile routes can provide interesting, popular, safe, low-cost "access avenues into the forest" to supplement or tie in with trail systems on public lands.

Incentives can encourage landowners' to provide for public recreation use of their properties as an income-producing venture or for other purposes. By improving wildlife habitat, recreation sites, trail systems, hunting opportunities (shooting reserves and so forth), private owners can do much to satisfy the sharply rising recreational demands for access to a nearby forest environment.

Complete Management Planning

The objective of complete management planning incentives is to encourage adoption of practices leading to long-term public benefits. Comprehensive plans and their acceptance by owners will help to provide for the long-term needs of the public as well as the generally short-term objectives of the nonindustry private owners.

Production of Nontimber Products

There are opportunities for low-income and other owners of private nonindustrial forest land to produce and market nontimber products from their lands. In some cases these can add significantly to family income and benefit the local economy. Maple syrup production is one example. Industries in localized areas of Vermont and elsewhere have demonstrated the potential. The demand for maple syrup and sugar is strong, and sugar maple trees occur in many areas where commercial tapping is minimal or nonexistent. Other products such as berries, nuts, and decorative or medicinal materials can be harvested from forests and related areas in conjunction with recreation, wildlife, and other uses. Incentives to establish these activities, where approriate, would help to meet rural development goals and needs.

4. INCENTIVES

A variety of strong incentives will be needed to generate the interest and motivation necessary to achieve projected levels of accomplishment on private nonindustrial forest land.

The design and application of incentive programs will be based on experience. Cost sharing under the Agricultural Conservation Program; annual payments under the "Soil Bank" or Cropland Retirement Program; low-interest forestry loans under the Consolidated FHA Act of 1961; technical assistance to groups of landowners (Timber Development Organization) under the Appalachian Regional Development Act of 1965; nonrecourse loans under the Agricultural Adjustment Act of 1938; planting stock provided at cost under the Clarke-McNary Act (Section 4); equipment rental and contractual services at cost as provided by North Carolina and Virginia and Soil Conservation Districts in other States—these, and other approaches, will be studied and refined to establish the most cost-effective set of incentives possible.

Broad legislation is needed to provide the framework within which the Secretary of Agriculture can develop the administrative guidelines needed to most effectively use the incentive funds appropriated. Flexibility is needed to work with cooperators, respond to changing needs, and implement emerging opportunities.

In the following list the measures described in Section 3 of the report are rated as to their approximate relative value. Incentives and priorities in fund allocation would be tailored to encourage practices that contribute most to program goals, public benefits, and cost effectiveness.

Incentives will be used to support and encourage the landowner to invest in the practices that are most appropriate in his particular situation for attaining his objectives and at the same time, yielding ample public benefits.

ESTIMATED RELATIVE VALUES OF PRACTICES BY VARIOUS CRITERIA

Practice	Cost effectiveness	Potential contribution to program objectives	Public benefits	Immediate landowner benefit (10-year period)
Resource protection and environmental enhancement:				
Soil stabilization	Moderate	High	High	Very low.
Firebreak and pond construction	Low	Low	Moderate	Low.
Prescribed burning	Low	Moderate	do	Low.
Debris cleanpp	Low	do	do	Low.
Fencing out livestock	Low	Low	Low	Low.
Forest establishment:				
Planting diverted cropland and marginal cropland	High	High	High	Low.
Planting idle land	do	do	Moderate	Low.
Reforesting recently cutover land	Moderate	do	do	Low.
Converting hardwood to pine or to higher quality hardwoods.	Low	Moderate	do	Low.
Forest improvement:				
Softwood	High	High	High	Moderate.
Hardwood	do	Moderate	Moderate	Do.
Site (drainage)	Low	Low	Low	Low.
Recreation and wildlife habitat improvement:				
Planting for wildlife	Moderate	Moderate	High	Low.
Cover manipulation	High	do	do	Low.
Preservation wetlands	do	Low	do	Very low.
Public access	Moderate	High	do	Low.
Improve recreation areas	do	Low	Moderate	Low.
Trail construction	Low	Moderate	High	Low.
Complete management planning	High	High	do	Low.
Production of nontimber products	Low	Low	Moderate	Moderate.

Note: The preponderance of low landowner benefit items illustrates the need for incentives if forestry needs are to be met

Cost Sharing

Cost sharing (up to 80 percent on nonindustrial private lands and up to 50 percent on non-Federal public lands) will be required for stand establishment and for timber stand improvement. Incentives will be refined or adjusted to direct available funds to the most productive sites and ownership situations.

In establishing timber on lands diverted from production of crops in surplus, and in planting timber on marginal croplands, an annual rental payment may be needed in addition to cost sharing.

Cost-sharing rates for practices that stabilize soils, improve wildlife habitat, or enhance natural beauty may have to be high enough to make out-of-pocket expenses by the owner unnecessary. His contribution of land, resources, tax payments, and stewardship might be all that could be expected of him with regard to practices that are mostly or entirely aimed at achieving public benefits.

Pilot Incentives

The main thrust of the program is through cost sharing. It is based on more than 30 years experience with a wide range of programs such as the Rural Environmental Assistance Programs which followed the Agricultural Conservation Program (ACP), and the Soil Bank Program. Through these various programs 7.3 million acres of trees were planted for forestry purposes and 4.2 million acres of timber stands were improved. This experience has provided a solid base on which to develop a more comprehensive incentives cost sharing program.

Comparable program experience, however, is lacking with certain other incentives which are needed to bring about better management of private nonindustrial forests. While it is not possible at this time to provide precise specifications for such incentives or to quantify the need for them, it is desirable to provide an opportunity for their pilot application. Two such incentives are loans for forestry purposes and annual payments for certain practices.

Loans

Existing long-term credit sources are inadequate to serve the purposes of the forestry incentives program. Low interest loans are virtually unavailable to non farmer forest owners and to many owners whose forest collateral is not in good condition. Availability of credit to fill this gap is especially desirable where landowners are willing to make a long-term commitment to a comprehensive management plan and cannot carry out the program with their available financial resources plus the cost sharing for which they would be eligible.

Special loans or loan guarantees appear to be promising and will include study of low-interest, deferred payment loans; nonrecourse loans paid in annual installments equal to the value of timber increments to be repaid out of timber sale receipts at harvest timber increments to be repaid out of timber sale receipts at harvest time; and long-term "forgiveness" loans which would be rebated (repayment of a portion of the loan and interest waived) contingent upon multipurpose management and application of improved harvest procedures for a specific period.

The $5 million average annual Federal outlay that is planned over 10 years includes funds for loans and Farmers' Home Administration costs of processing loans and making collections.

Annual Payments

Annual Payments were tested in the Soil Bank Program and proved to be very effective in stimulating tree planting for forestry purposes. Pilot application of annual or periodic payments would be extended to include other practices involving long term investments with low financial return or no financial return to the landowners, and with benefits accruing mainly to the public. Examples are forest management practice for the protection or improvement of environmental values, and public access for sight seeing and other recreation purposes where no fee is charged by the landowner.

Encumbrances

Encumbrances in the form of term contracts for assuring protection of the Federal investment would be pilot tested in connection with practices involving annual payments. Long experience by ACP has demonstrated that encumbrances are not needed when annual payments are not involved. The low risk of loss of the practice through change in land use would not seem to justify the high cost of follow-up inspection and other post-establishment costs of administering encumbrances when annual payments are not made to the landowners. However, the program will be monitored so that needed measures can be taken promptly if significant numbers of practices are lost through owner abandonment or conversion to other uses.

Special Incentives

To support large-scale implementation of the program without delay, local groups may need special incentives to assure availability of trained and organized work crews, equipment, planting stock, and other operational needs. Private or State crews would be supported in such situations. This would be financed primarily through incentive payments to landowners.

Administrative regulations will be developed to promote continuity in resource management and to preclude use of incentive payments for purposes not consistent with good land use. For example, a landowner would not be eligible for financial assistance in planting trees on sites better suited to wetlands for waterfowl or for some other purposes. Landowners who use management practices such as premature clearcutting of plantations that are contrary to the aims of this program would not be eligible for assistance in reestablishing forest cover on those sites. Land treatment under this program for forestry purposes should not be eligible for cost sharing under other programs that would convert to crop production before timber crops mature. Regulations would be needed to prevent other inequitable or unproductive uses of appropriated funds.

Guidelines for use of incentives will be flexible so that various opportunities and measures may be applied to help meet the challenges. Assistance, responsibilities, limitations, and implementation procedures will be developed.

5. PROGRAM PROPOSALS

This section outlines the program recommended for the first 10 years. Accomplishment targets and Federal costs for the first year are summarized in Table 3. Accomplishment targets for the first 10 years and average annual Federal costs are summarized in Table 4. This information is displayed in detail in Appendix Tables 3a and 4a respectively. A summary of Federal costs is displayed in Table 5.

Criteria Used

Meeting demands for timber products.—Timber production measures are based on a solid background of experience and can be evaluated quantitatively. Major considerations limiting the selection of practices in timber production are: (1) the cost of providing various levels of supply, (2) the effects on prices, and (3) environmental considerations required by Public Law 91–190 and Executive Order 11514. In determining the mix of forestry practices to be recommended for non-industry private lands, an analysis of alternate levels of input was made for programs that would increase softwood and hardwood production, and for programs having a broader objective including environmental values. Appendix Table 5a displays broad-objective programs analyzed at low, moderate, and high levels for nonindustry private forests. The moderate level broad-objective program recommended is displayed in Appendix Table 6a.

TABLE 3.—PROPOSED 1ST YEAR PROGRAM—ALL NONINDUSTRIAL AND STATE AND PRIVATE FOREST OWNERSHIPS

Activity	Accomplishment targets: acres treated (thousands)	Federal costs (thousands of dollars)	
		Cash outlay	Loans[1]
A. Nonindustrial private:			
I. Timber production:			
1. Softwood planting and stand conversion	130	2,744	1,850
2. Softwood stand improvement	500	5,600	
3. Hardwood stand improvement and conversion	100	1,497	
Subtotal	730	9,751	1,850
II. Environmental protection and enhancement:			
1. Added incentive for complete management	[2] (110)	121	
2. Modification of timber practices for nontimber benefits		622	
3. Debris cleanup, hazard reduction, erosion control, etc.	270	2,160	
4. Recreation and wildlife habitat development	175	818	
Subtotal	[2] (110) 445	3,721	
Total private	[2] (110) 1,175	13,472	
B. State, county, and municipal.			
I. Timber production:			
1. Softwood planting and stand conversion	55	1,116	
2. Softwood stand improvement	200	1,929	
3. Hardwood stand improvement and conversion	50	502	
Subtotal	305	3,547	
II. Environmental protection and enhancement:			
1. Comprehensive management planning	[2] (120)	126	
2. Debris cleanup, erosion control, etc.	80	499	
3. Recreation and wildlife	30	1,101	
Subtotal	[2] (120) 110	1,726	
Total State, county, and municipal	[2] (120) 415	5,273	
C. Accelerated nursery production		700	
Grand total, all lands	[2] (330) 1,590	19,445	1,850

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[1] Includes amounts for loans and Farmers Home Administration costs.

[2] Acres in parenthesis are included in timber production acres.

TABLE 4.—SUMMARY, RECOMMENDED PROGRAM FOR NONINDUSTRIAL PRIVATE LANDS AND NON-FEDERAL PUBLIC LANDS, 1ST 10 YEARS

	10-year accomplishment target		Average annual Federal costs (millions of dollars)	
	Acres treated (millions)	Added annual growth [1] (billion board feet)	Total	Loans [2]
Timber production practices: [3]				
A. Nonindustrial private lands:				
Softwoods	29.8	7.4	54.2	4.4
Hardwoods	10.3	1.2	15.0	
B. State, county, and municipal lands:				
Softwoods	2.0	.4	3.5	
Hardwoods	1.1	.2	1.1	
C. Accelerated nursery production and improved seed	([4])	.6	.7	
Total timber production	43.2	9.8	74.5	4.4
Environmental protection and enchancement practices: [5]				
A. Nonindustrial private lands	12.4 (20.0); 56,000 miles roads; 2,000 miles trails.[6]		16.3	
B. State, county, and municipal lands	1.1 (1.0); 5,000 miles roads; 5,000 miles trails.[7]		2.7	
Total environmental practices	13.5 (21.0); 61,000 miles roads [6]; 7,000 miles trails.[7]		19.0	
Total all practices	56.7 (21.0); 61.000 miles roads [6]; 7,000 miles trails.[7]	9.8	93.[illegible]	4.4

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[1] Increase in annual growth rate at end of 10-year period. Continuation of program at same level of accomplishment for another 20 years would approximately triple this increase.

[2] Includes amounts for loans and Farmers Home Administration costs of administering loans.

[3] Tree planting, stand improvement, and stand conversion.

[4] Less than 0.01.

[5] Debris cleanup, erosion control, hazard reduction, wildlife habitat development, and comprehensive management planning and added incentive for complete management.

[6] Erosion control on logging roads; 5,000 miles on public lands, 56.000 miles on private lands.

[7] Trail construction; 5,000 miles on public lands: 2,000 miles on private lands.

Note: Acres in parentheses are included in total timber production acres.

TABLE 5.—SUMMARY OF FEDERAL COSTS

[In millions of dollars]

	Loans nonindustry private	Other ownership, nonindustry private	Costs, non-Federal public	Total other
Year:				
1	1.8	13.5	6.0	19.5
2	3.2	27.5	7.6	35.1
3	4.0	44.0	7.8	51.8
4	5.0	78.0	7.9	85.9
5	5.0	102.0	8.1	110.1
6	5.0	106.0	8.2	114.2
7	5.0	112.0	8.4	120.4
8	5.0	116.0	8.4	124.4
9	5.0	128.0	8.6	136.6
10	5.0	128.0	8.6	136.6
Total cost	44.0	855.0	79.6	934.6
Average annual cost	4.0	85.5	8.0	93.5

The mix of forestry practices recommended for State, county, and municipal lands is based on analysis of basic needs. Included are increased softwood production and improvement of other forest resource values. This analysis provides a minimal base on which to develop a comprehensive program and to identify opportunities for intensifying management. Appendix Table 7a displays a breakdown of 10-year accomplishment targets and annual Federal costs for the program recommended for State, county, and municipal lands. As management activities are intensified, the program base could be enlarged.

The recommended 10-year program is expected to increase annual growth of softwood sawtimber 8.6 billion board feet. The program must be continued until the year 2000 if the production of an estimated 20.9 billion board feet, needed from nonindustrial private lands by that time at a relative price index of 115, is to be achieved. (100= 1962-67 average prices).

Meeting demands for nontimber values.—The selection of nontimber measures is determined by two factors: (1) practices or modifications made part of timber oriented practices and necessary to balance efforts to both produce more timber and enhance other values, and (2) special practices to improve environmental quality, expand outdoor recreation opportunities, enhance wildlife habitat, and protect soil and water values sufficient to make a meaningful contribution during the 10-year period. The level of the special practices is low enough to permit a sound, orderly development and appraisal of them as they become operational.

Benefits from nontimber measures would be higher rural employment, benefits to consumers, and recreational and environmental benefits.

Higher Rural Employment—A Program By-product.—The program designed to improve forestry practices in the next decade would benefit rural employment prospects. Additional jobs will be generated first by planting, stand improvement, and other practices. Later, when the increased supply of timber is harvested, the gains in timber output made possible by this program will provide new jobs in processing, harvesting, and transport of timber products.

Implementing the forestry practices alone will create an estimated 6,000 to 8,000 jobs per year. Providing necessary supplies, tools, and machinery will add further employment opportunities.

Employment opportunities generated indirectly in processing the added timber produced under this program should add a possible 150,000 jobs by the year 2000.

Processing of the additional harvests of timber that will become available because of this program will help to level the downward trend of employment in the timber industry. Otherwise, employment in timber processing will further decline with increases in productivity brought by larger plants, better equipment, and other improvements.

Benefits to Consumers.—Consumers would be the main beneficiaries of increased timber supplies. The nature of most wood product markets is such that an increase in supply causes a larger relative decrease in price. Thus, total consumer cost for these products may be reduced even while the amount used is greatly increased. The ultimate effect is reduced prices for housing, furniture, and many other consumer goods.

Recreational and Environmental Benefits.—Forests are a major feature of the environment. They are a primary source of recreation, esthetic enjoyment, and production of clean air and water. About 30 percent of the land area in the coterminous 48 States is forested, and about 60 percent of this forest is held by private nonindustrial owners. The importance of small private forests is further emphasized by the fact that more than 70 percent of the forest in the East is held by these owners. If all citizens are to enjoy the benefits that forests can provide, the small private ownerships must be developed as major contributors to these benefits.

TABLE 1A.—SOFTWOOD SAWTIMBER PROJECTED DEMAND AND PROJECTED SUPPLY BY OWNERSHIPS, YEAR 2000

[Billion board feet]

Relative price index [1] (1962-67 equals 100)	Projected demand	Projected supply by source				Required supply from nonindustrial private [2]	
		National forest	Other public	Forest industry	Technological improvement [3]	Total	Increase over 1967 level of growth
Softwoods:							
165 [4]	60.1	22.3	5.3	15.3	1.5	15.7	....
155 [5]	65.0	25.7	6.4	15.3	2.2	15.4	....
130 [6]	76.7	25.7	6.4	14.7	2.2	27.7	11.8
115 [6]	85.5	25.7	6.4	14.4	2.2	36.8	20.9
100 [6]	94.5	25.7	6.4	14.1	2.2	46.1	3092

[1] Composite index for softwood lumber and plywood divided by the wholesale price index for all commodities.

[2] Amount required to balance supply and demand at each price level.

[3] Actual amount would depend on level of investment in research, magnitude of total consumption, and price level. Amounts shown for price indexes 100–155 assume accelerated research programs.

[4] Expected price index with continued recent trends in management on all lands.

[5] Expected price index with accelerated management on public lands only.

[6] Expected price index with accelerated management on public lands and various degrees of intensification on nonindustrial private lands.

TABLE 2A.—OPPORTUNITIES FOR INCREASING TIMBER PRODUCTION ON NONINDUSTRIAL PRIVATE AND NON-FEDERAL PUBLIC FOREST LANDS, BY REGION AND PRACTICE

Practice	South		North		West		Total	
	Area (million acres)	Potential added annual growth (billion board feet)	Area (million acres)	Potential added annual growth (billion board feet)	Area (million acres)	Potential added annual growth (billion board feet)	Area (million acres)	Potential added annual growth (billion board feet)
Softwoods:								
Planting low return croplands	1.8	0.9					1.8	0.9
Planting croplands under long-term retirement program [1]	2.4	1.2					2.4	1.2
Planting idle lands	3.7	1.9	3.0	1.0		(2)	6.7	2.9
Planting cutover lands [3]	2.0	0.5	0.3	(2)	0.1		2.4	0.5
Stand improvement—cull tree control and thinning	19.5	1.8	1.4	0.1	6.4	1.8	27.3	3.7
Stand conversion	36.1	10.4	7.1	1.6	5.0	1.2	48.2	13.2
Hardwoods:								
Planting idle lands	.2	.1	.2	(2)			.4	.1
Stand improvement	13.3	1.3	16.1	1.6			29.4	2.9
Stand conversion of cutover lands	14.2	2.3	12.9	1.5			27.1	3.8

[1] Would be available only if a long-term retirement program were developed.
[2] Less than 0.1.
[3] Annual opportunities on cutover lands; opportunities for all other practices are current total.

TABLE 3A. PROPOSED 1st-YEAR PROGRAM ALL NONINDUSTRIAL STATE AND PRIVATE FOREST OWNERSHIPS

Activity	Accomplishment targets (thousands)		Federal costs (in thousands of dollars)					
	Approximate number of requests	Acres treated	Cost-shares	Technical assistance	ASCS administration	Forest service administration	Total	Loans
A. Nonindustrial private:								
I. Timber production:								
1. Softwood planting and stand conversion	7	130	2,400	150	134	60	2,744	1,850
2. Softwood stand improvement	25	500	4,500	500	480	120	5,600	
3. Hardwood stand improvement and conversion	5	100	1,181	100	98	28	1,407	
Subtotal	37	730	8,081	750	712	208	9,751	
II. Environmental protection and enhancement:								
1. Added incentive for complete management	(6)	(110)	110	11	(¹)	(¹)	121	
2. Modification of timber practices for nontimber benefits			566	56			622	
3. Debris cleanup, hazard reduction, erosion control, etc	13	270	1,700	170	250	40	2,160	
4. Recreation and wildlife habitat development	8	175	590	59	154	15	818	
Subtotal	21 (6)	445 (110)	2,966	296	404	55	3,721	
Total private	58 (6)	1,175 (110)	11,047	1,046	1,116	263	13,472	
B. State, county, and municipal:								
I. Timber production:								
1. Softwood planting and stand conversion		55	1,070	35		11	1,116	
2. Softwood stand improvement		200	1,810	100		19	1,929	
3. Hardwood stand improvement and conversion		50	472	25		5	502	
Subtotal		305	3,352	160		35	3,547	
II. Environmental protection and enhancement:								
1. Comprehensive management planning		(120)	120	6		(¹)	126	
2. Debris cleanup, erosion control, etc		80	470	25		5	499	
3. Recreation and wildlife		30	1,025	51		25	1,101	
Subtotal		110 (120)	1,615	81		30	1,726	
Total, State, county, and municipal		415 (120)	4,967	241		65	5,273	
C. Accelerated nursery production			670			30	700	
Grand total, all lands	58 (6)	1,590 (330)	16,684	1,287	1,116	358	19,445	1,850

Note: Acres in parenthesis are included in timber production acres.

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[1] Included above.

TABLE 4.—RECOMMENDED PROGRAM FOR NONINDUSTRIAL PRIVATE LANDS AND NON-FEDERAL PUBLIC LANDS—1ST 10 YEARS

General activity	10-year accomplishment target		Average annual Federal costs (millions of dollars)					
	Acres treated (millions)	Added[1] annual growth (billion board feet)	Cost-shares	Technical assistance[2]	ASCS Administration	Forest Service Administration	Total	Loans
I. Timber production practices:[3]								
A. Nonindustrial private lands:								
Softwoods	29.8	7.4	46.90	3.8	2.9	0.6	54.2	5.0
Hardwoods	10.3	1.2	12.80	1.1	1.0	.1	15.0	
B. State, county, and municipal lands:								
Softwoods	2.0	.35	3.30	.17		.03	3.5	
Hardwoods	1.1	.16	1.04	.05		.01	1.1	
C. Accelerated nursery production and improved seed	(4)	.6	.67			.03	.70	
Total, timber production	43.2	9.71	64.71	5.12	3.9	.77	74.5	
II. Environmental protection and enhancement practices:[5]								
A. Nonindustrial private lands	12.4 (20.0); 56,000 mi. roads; 2,000 mi. trails.[6]		13.5	1.3	1.2	.3	16.3	
B. State, county, and municipal lands	1.05 (1.00); 5,000 miles roads; 5,000 miles trails.[7]		2.47	.13		.06	2.66	
Total, environmental practices	13.45 (21.00); 61,000 miles roads:[6] 7,000 miles trails.[7]		15.97	1.43	1.2	.36	18.96	
Total, all practices	56.65 (21.00); 61,000 miles roads;[6] 7,000 miles trails.[7]	9.71	80.68	6.55	5.1	1.13	93.46	5.0

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[1] Increase in annual growth rate at end of 10-year period. Continuation of program at same level of accomplishment for another 20 years would approximately triple this increase.

[2] Including inspection for compliance with specifications.

[3] Tree planting, stand improvement, and stand conversion.

[4] Less than 0.01.

[5] Debris cleanup, erosion control, hazard reduction, wildlife habitat development, comprehensive management planning, one added incentive for complete management.

[6] Erosion control on logging roads; 5,000 miles on public lands, 56,000 miles on private lands.

[7] Trail construction, 5,000 miles on public lands, 2,000 miles on private lands.

Note: Acres in parenthesis are included in total timber production acres.

TABLE 5A.—SUMMARY OF ALTERNATIVE PROGRAMS FOR NONINDUSTRIAL PRIVATE LANDS

[Dollar amounts in millions]

Activity	Average annual Federal costs		10-year accomplishment targets		Year 2000 targets	
	Cost shares and other [1]	Loans	Acres treated (millions)	Added annual growth (billion board feet)	Added annual growth [2] (billion board feet)	Softwood lumber and plywood relative price index 1962-67 = 100 [3]
1. Continuation of recent trends of management						165
2. Low-level program:						
Timber production practices:						
Softwoods	$21.5	$2.0	11.9	4.5	13.0	
Hardwoods	8.9	1.1	5.9	.7	2.0	
Environmental protection practices [4]	11.9		12.4 (10.2) [5] 50,000 [5] 1,500			
Total	42.3	3.1	30.2 (8.9) [5] 50,000 [5] 1,500	5.2	15.0	130
3. Moderate-level program:						
Timber production practices:						
Softwoods	54.2	3.7	29.8	7.4	21.0	
Hardwoods	15.0	1.3	10.3	1.2	4.0	
Environmental protection practices [4]	16.3		12.4 (20.0) [5] 56,000 [5] 2,000			
Total	85.5	5.0	52.5 (20.0) [5] 56,000 [5] 2,000	8.9	25.0	115

TABLE 5A.—SUMMARY OF ALTERNATIVE PROGRAMS FOR NONINDUSTRIAL PRIVATE LANDS—Continued

[Dollar amounts in millions]

Activity	Average annual Federal costs		10-year accomplishment targets		Year 2000 targets	
	Cost shares and other [1]	Loans	Acres treated (millions)	Added annual growth (billion board feet)	Added annual growth [2] (billion board feet)	Softwood lumber and plywood relative price index 1962-67=100 [3]
4. High-level program:						
Timber production practices:						
Softwoods	$116.2	$3.7	45.0	11.5	32.0	
Hardwoods	24.9	1.3	17.5	1.9	6.0	
Environmental protection practices [4]	22.6		12.4 (31.2) [5] 56,000 [5] 2,000			
Total	163.7	5.0	74.9 (31.2) [5] 56,000 [5] 2,000	13.4	38.0	95

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[1] Including cost-shares, technical assistance, inspection, ASCS administration, and Forest Service program development and review.

[2] Estimated increase in growth that would be obtained if the program were carried on at the same level of accomplishment for 28 years.

[3] Expected price index without accelerated programs on public or private lands. If accelerated programs were undertaken on public but not private lands, the estimated relative price index would be 155.

[4] Includes added incentives for complete management, wildlife habitat development, erosion control, debris cleanup, etc.

[5] Miles.

Note: Acres in parentheses are included in timber production practices acres.

TABLE 6A.—RECOMMENDED PROGRAM FOR NONINDUSTRIAL PRIVATE LANDS—1st 10 YEARS

[Dollar amounts in millions]

Activity	10-year accomplishment targets			Annual Federal costs					
	Acres treated (million)	Number of participants (million)	added annual growth (billion board feet)	Cost-shares for practices	Technical assistance [2]	ASCS administration	Forest Service administration	Total	Loans
Timber production:									
1. Softwood:									
Planting cropland	3.2	1.5	1.7	$2.8	$0.6	$0.4	$0.1	$3.9	
Planting idle land	5.0		2.1	8.6	1.0	.4	.1	10.1	
Planting cutover land	7.6		1.6	18.7	.8	.8	.2	20.5	
Stand conversion	.5		.1	1.6	(3)	(3)	(3)	1.6	
Stand improvement	13.5		1.9	15.2	1.4	1.3	.2	18.1	
Subtotal	[4] 29.8	1.5	7.4	46.9	3.8	2.9	.6	54.2	$5.0
2. Hardwood:									
Planting idle lands	.4	.5	.1	1.0	.1	(3)	(3)	1.1	
Stand improvement and conversion	9.9		1.1	11.8	1.0	1.0	.1	13.9	
Subtotal	10.3	.5	1.2	12.8	1.1	1.0	.1	15.0	
Total timber production	[4] 40.1	2.0	8.6	59.7	4.9	3.9	.7	69.2	4.0
Environmental protection and enhancement:									
1. Added incentive for complete management [5]	(20.0)	(1.0)		2.0	.2	(6)	(6)	2.2	
2. Modification of timber practices to achieve nontimber benefits				4.2	.4	(6)	(6)	4.6	
3. Debris cleanup, hazard reduction, erosion control, etc.[7]	8.7+	.4		3.8	.4	.8	.2	5.2	
4. Recreation and wildlife habitat development [7] [8]	3.7+	.2		3.5	.3	.4	.1	4.3	
Total environmental protection and enhancement [7] [8]	12.4 (20.0)	.6 (1.0)		13.5	1.3	1.2	.3	16.3	
Grand total [7] [8]	52.5 (20.0)	2.6 .6	8.6	73.2	6.2	5.1	1.0	85.5	5.0

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[1] Increase in annual growth rate at end of 10-year period. Continuation of program at same level for 20 more years would approximately triple this increase.

[2] Includes inspection for compliance with specifications.

[3] Less than 0.1.

[4] Assuming average participant treats 20 acres.

[5] To be added to cost-share rate for other practices when landowner accepts a comprehensive management plan; 50 percent acreage participation assumed.

[6] Included above.

[7] 56,000 miles of erosion control on logging roads.

[8] 2,000 miles of trail construction.

Note: Acres and number of participants included in timber production acres.

TABLE 7A.—RECOMMENDED PROGRAM FOR STATE, COUNTY, AND MUNICIPAL LANDS, 1ST 10 YEARS, BASIC-PROGRAM LEVEL

Activity	10-year accomplishment target		Annual Federal costs (millions of dollars)			
	Acres treated (millions)	Added annual growth[1] (billion board feet)	Cost-shares 50-percent rate	Technical assistance	Forest Service administration	
I. TIMBER PRODUCTION						
1. Softwoods:						
Planting	0.4	0.08	0.57	0.03	(2)	0.60
Stand conversion	0.7	.14	1.88	.10	0.02	2.00
Stand improvement	0.9	.13	.85	.04	.01	.90
Subtotal	2.0	.35	3.30	.17	.03	3.50
2. Hardwoods:						
Planting	(2)	(2)	(2)	(2)	(2)	(2)
Stand conversion	(2)	(2)	(2)	(2)	(2)	(2)
Stand improvement	1.1	.16	1.04	.05	.01	1.10
Subtotal	1.1	.16	1.04	.05	.01	1.10
3. Nursery support for all lands:						
Production of improved seed	(2)	.60	.29		.01	.30
Production and distribution of planting stock		(2)	.38		.02	.40

Subtotal		.60	.67		.03	.70
Total, timber production	3.1	1.11	5.01	.22	.07	5.30
II. ENVIRONMENTAL PROTECTION AND ENHANCEMENT						
1. Comprehensive management planning[3]	(1.0)[4]		.10	.01		.11
2. Debris cleanup, erosion control, hazard reduction, etc	0.75+		.47	.02	.01	.50
3. Recreation and wildlife habitat development	5,000-mile roads[5]					
Total, environmental protection and enhancement	0.3+		1.90	.10	.05	2.05
	5,000-mile trails[6]					
	1.05		2.47	.13	.06	2.66
	(1.00)					
	+5,000-milo roads					
	+5,000-mile trails					
Grand total	4.15	1.11	7.48	.35	.13	7.96
	(1.00)					
	+5,000-mile roads					
	+5,000-mile trails					

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[1] Increase in annual growth rate at end of 10-year period; continuation of program at same level for 20 more years would approximately triple this increase.

[2] Less than 0.01.

[3] Added incentive for practices carried out under complete management plan.

[4] Assumes ⅓ of the acres in timber production will be county and municipal lands. These are all in need of comprehensive management plans.

[5] Erosion control on logging roads.

[6] Trail construction.

Note: Acres in parenthesis are included in timber production acres.

USDA Forest Service Environmental Statement on the Proposed Forestry Incentives Program

(Prepared in Accordance with Section 102(2)(C) of P.L. 91-190)

SUMMARY SHEET

I. Draft (X) Final ( )

II. Administrative (X) Legislative (X)

III. *Brief Description of Action.* The proposal is in response to President Nixon's request to the Secretary of Agriculture to press ahead with development of programs designed to increase the production and harvesting of timber on State and private lands consistent with maintaining environmental quality. Although major emphasis is on increasing production of timber for softwood lumber and plywood, the production of other forest resource values and the enhancement of environmental values are stressed.

The proposal provides cost-sharing, loans, and special incentives for private owners to manage their lands so as to yield public benefits. It includes the following measures:

- Resource protection and environmental enhancement
- Forest establishment
- Forest improvement
- Recreation and wildlife habitat improvement
- Complete management planning
- Production of nontimber products

The proposal involves all 50 States. In addition to nonindustrial private forests, it includes State, county, and local public forests.

IV. *Summary of Environmental Impact and Adverse Environmental Effects.* Adverse environmental effects resulting from more intensive timber management are prevented or at least minimized through special program practices and modification of practices. Other special practices and modifications of practices are designed to enhance environmental values. The net effect of the program is enhancement of the entire spectrum of forest-related environmental values.

V. Alternatives Considered:

- No program
- Higher program level than recommended
- Acceleration of other cooperative forestry activities

VI. *Agencies from Which Comments have been Requested.* The proposed program was developed intradepartmentally with the Soil Conservation Service, Extension Service, Agricultural Stabilization and Conservation Service, and Forest Service in lead roles—Economic Research Service and State forestry agencies contributed. In addition, reviews were requested from Soil and Water Conservation Districts, State Foresters, State Extension Foresters, State Conservationists, conservation groups and associations, and forest industry.

VII. *Date Draft Statement made Available to CEQ and the Public:* __________

USDA Forest Service Environmental Statement on the Proposed Forestry Incentives Program

(Prepared in Accordance with Section 102(2)(C) of P.L. 91-10)

August 4, 1971
Type of Statement: Draft
Date of transmission to CEQ and the public:
Type of action: Legislative and administrative
Responsible official:

I. *Description:*

The origins of the proposal for a forestry incentives program are in a series of events which began with the rapid price escalation of softwood lumber and plywood in 1968-69. National concerns had been aroused over our ability to meet present and long range demands for the production of timber supplies and other forest values. At the same time, forest-related environmental issues, including water and air pollution, and timber cutting practices had gained the critical attention of the public.

In June 1970, President Nixon received and endorsed the findings and recommendations of The Task Force on Lumber and Plywood of the Cabinet Committee or Economic Policy. The Task Force reported that a substantial increase in the supply of softwood timber products will be needed to meet the Nation's growing requirements, especially our pressing housing needs. Specifically the report noted that steadily increased supplies from non-Fededal forest land will become increasingly important.

When he received the Task Force report, President Nixon directed the Secretary of Agriculture to press ahead with development of programs designed to increase the production and harvesting of timber on State and private lands consistent with maintaining environmental quality. The proposed forestry incentives program has this objective.

This involved 300 million acres of nonindustrial private forest ownerships which make up three-fifths of the Nation's commercial forest. Presently it produces only one-half the potential because vital investments have not been made. Also involved are 38 million acres of forest land in State, county, and municipal ownership. These are also producing far below their potential.

The proposed program has multiple objectives. In addition to supplying the forest products that will be needed, it is designed to create jobs and improve the economy of rural families and communities. It will also enrich the lives of rural and urban people by protecting and enhancing the outdoor environment.

The processes of reaching the individual social, economic, and environmental objectives are closely interrelated. Meeting the growing demand for forest products at consumer prices relative to the prices of other materials must be in harmony with meeting growing demands for recreation, wildlife and environmental values derived from the same resource base. The program is designed to accomplish this.

II. *Environmental Impacts:*

Increases in the intensity of management and use of the nonindustrial private forest resource contemplated in the proposed program will affect the soil, water, air, climate, and biological community of the forest.

Outside of the forest there may be impacts on downstream soil and water values, and the quality of the air and the climate.

Local residents and travelers in the area will experience the effect of esthetic changes resulting from the program. The health and quality of life in nearby communities will be affected. Changes in the forest will affect recreation pursuits and residential patterns.

Increased public use of those forest lands which are located near areas of high population concentration may create another kind of impact-risk of damage to the forest itself. Increased risk of forest fires is an example.

Program practices that are designed to increase timber production and other consumptive uses could have adverse environmental impacts. Modifications of program practices, however, are designed to prevent or at least minimize soil erosion, stream and lake sedimentation, and air and water pollution.

Timber harvesting that would tend to reduce the esthetic value of areas recently logged would be controlled as to size of area, location and visibility. Consistent with an objective of this program to minimize undesirable effects, the duration of the harvesting would be limited as to season of year and length of operation.

In order to protect wildlife values, creation of extensive unbroken areas of conifers will be avoided when trees are planted. Landowners will be encouraged to apply practices that will protect wildlife habitat and maintain a desirable balance between timber production and wildlife.

III. *Favorable Environmental Impacts*:

The proposed program provides for more balanced management of the 338 million acres of nonindustrial private and non-Federal public forest land:

(1) to increase wood production through such measures as:

—planting cropland that is diverted from crop production or that is otherwise idle.

—reforesting cutover lands by planting or direct seeding to speed up establishment of new stands, to assure full stocking soon after logging, to take advantage of genetically superior planting stock, and otherwise increase and improve production of timber.

—converting undesirable hardwood stands to softwoods by planting.

—stimulating growth and improving the quality of timber available for harvest through cultural treatments.

—improved harvesting techniques.

These measures have a beneficial effect on the environment because collectively they (a) reduce soil erosion, (b) improve water quality, (c) filter pollutants in the air, (d) dampen the swings of temperature, (e) reduce noise, and (f) improve the appearance of the landscape.

(2) provide opportunities to enhance recreational values and to improve and conserve wildlife habitat through such practices as:

—planting to provide improved food and cover for wildlife.

—manipulation of cover to establish food patches or other openings and create edge effects that are favorable to wildlife.

—maintaining den trees.

—preservation and management of wetlands.

—providing public access to private forests.

—protecting and improving forests in and near campgrounds, picnic areas, and other developed sites to enhance the quality of recreational experiences in a forest setting.

—the construction of nature trails, birdwalks, bridle paths, bicycle routes, hiking trails, and well-marked skimobile routes for recreation seekers.

These practices will have a beneficial effect on the environment because they collectively (a) provide for variation in the landscape, and (b) strive for minimal disturbance of the ecological balance.

(3) provide special practices to supplement and modify current management measures in order to protect, restore, and enhance environmental quality. These include:

—the stabilization of soil along roadbanks, logging roads, and skid trails by planting or seeding and the construction of water bars to prevent erosion and sedimentation.

—the construction of firebreaks and ponds to protect high valued areas from wildfires.

—prescribed burning to reduce the hazards and impacts of uncontrolled wildfire.

—the cleaning up of debris in recently logged, storm damaged, or other unsightly areas along heavily traveled recreation routes or other highly visible places.

—fencing to prevent damage to trees and other resources from the grazing of uncontrolled livestock.

The program also provides the expertise and technical assistance necessary to insure the adequate implementation of the measures and the protection of the environment.

IV. *Adverse Environmental Effects Which Cannot Be Avoided*:

Although the net effect of the program will be a substantial improvement in erosion control, pollution reduction and surface water yield, there will be some short-term adverse effects from increased timber harvesting.

Some of the increased timber harvesting will temporarily reduce the esthetic value of areas recently logged.

Idle lands planted to trees in this program will create a shift in the kinds of wildlife species from those preferring open land habitat to those thriving in forest cover.

There will be increased risk of forest fires resulting from increased use of forest lands near areas of dense population. The higher levels of investments required and the increased values resulting from this program will, in time, require higher levels of forest protection.

V. *Alternatives to the Proposed Action:*

No program. The effect would be to generate unacceptable relative price levels and continue downward trends in the environmental and resource values of these lands.

The price effect would expand use of wood substitutes. The production and manufacture of these substitutes, even through recycling, would be expected to have a more detrimental effect on the environment than would the harvesting and manufacturing of forest products. Substitutes would increase the drain on the Nation's nonrenewable resources.

Higher program level than recommended. This would create levels of activity that would be difficult to keep in balance. Competition for funds at a higher level could be expected to force reduction in other cooperative forestry activities that also produce environmental benefits.

Acceleration of other cooperative forestry activities. Increases in programs of technical assistance, education and present types of cost-sharing for practice establishment would not motivate enough landowners or adequately raise the level of management to solve our supply problems within an acceptable period of time.

VI. ***Consultation with Others:***

The proposed program was developed intradepartmentally with the Soil Conservation Service, Extension Service, Agricultural Stabilization and Conservation Service, and Forest Service in lead roles—Economic Research Service and State forestry agencies contributed. In addition, reviews were requested from Soil and Water Conservation Districts, State Foresters, State Extension Foresters, State Conservaionists, conservation groups and associations, and forest industry.

SUPPLEMENTAL STATEMENT ON USDA PROPOSED LEGISLATION FOR A FORESTRY INCENTIVES PROGRAM

In June 1970, President Nixon received and endorsed the findings and recommendations of the Task Force on Softwood Lumber and Plywood of the Cabinet Committee on Economic Policy. The Task Force reported that a substantial increase in the supply of softwood timber products will be needed to meet the Nation's growing requirements, especially our pressing housing needs. Specifically, the report noted that steadily increased supplies from non-Federal forest lands will become increasingly important in the years ahead.

When he received the Task Force report, President Nixon directed the Secretary of Agriculture to press ahead with development of programs designed to increase the production and harvesting of timber on State and private lands, consistent with maintaining environmental quality. The proposed forestry incentives program is intended to meet his objective.

THE ROLE OF NON-FEDERAL FOREST LANDS

Rapidly rising demands will be made on all of the Nation's forest resources in the next few decades. As Federal and industrial private forest lands begin to produce near maximum capacity, the burden of meeting these demands must increasingly be borne by nonindustrial private and non-Federal public forests.

Four million nonindustrial owners control 300 million acres—or three-fifths—of the commercial forest land available to meet the huge demands for timber foreseen for the future. Present production, however, is only one-half of the potential because vital investments have not been made. The bulk of these lands are in a poor condition; they are cutover, understocked, unmanaged. The 38 million acres of forest land in State, county, and municipal ownership are also producing far below their potential.

Opportunities for expanding timber production on nonindustrial private and non-Federal public lands must be captured now if unacceptable price rises are to be avoided in 1980 and beyond. Although 40 percent of the Nation's softwood forest acreage is in these ownerships, in 1967 they produced only 27 percent of the softwood sawtimber harvest. Yet these lands contain most of the highly productive sites in the country. The 100 million acres of pine and other softwood lands in small ownerships, together with the possibility of new plantings on millions of idle or nonstocked acres, constitute an outstanding opportunity to keep price levels of forest products at a tolerable level for the American consumer. The same general opportunity exists with regard to the production of fine hardwoods, pulpwood, and other timber products. In contrast, the capability of public and industrial lands to meet the needs for hardwood material is very small.

Recent studies of the relationship between price levels and timber demand indicate that it will not be possible to grow and harvest enough sawtimber to keep softwood lumber and plywood prices down to the 1962–67 levels without excessively large investments. The projected sawtimber demand and supply situation has special importance with regard to meeting the Nation's critical housing needs. Supplying sufficient timber to dampen relative price rises for lumber and plywood gives a direct and obvious benefit to the Nation in terms of meeting those needs without creating unbearable costs to the consumer. Demand for pulpwood will also continue to rise sharply in the next few decades.

Public lands must supply most of the increased softwood demands in the next 15 years or so. Industry lands, already at a relatively high level of management, are expected to reach even higher levels of productivity during this period. In the period after 1985, however, nonindustrial private lands must meet the bulk of the increased demand. This has key significance because the increased harvests possible from National Forests under more intensive management, with careful attention to environmental impacts, can "buy" the time needed to prepare other lands to pick up the burden later. Clearly, there will be a gradual transition beginning in about a decade as softwood sawtimber harvesting moves increasingly to the nonindustrial private sector.

Opportuniites for using non-Federal forests for purposes in addition to wood production also must be captured.

Forests are recreation and wildlife lands, watersheds, and open space, as well as timberlands. As the public becomes increasingly aware of environmental problems, conservation concepts are broadened and nontimber uses of forest land become more and more important. As a result, public needs for, interest in, and support to obtain these added uses are increasing especially in densely populated areas.

Nonindustrial private commercial forest land, comprising about one-sixth of the total land area and almost one-half of the total forest area of the coterminous United States, offers a prime opportunity to meet nontimber forest resource needs. It is concentrated in highly populated areas. The North Atlantic Region, for instance, contains 25 percent of the Nation's population on only 5 percent of the Nation's land area, yet 68 percent of the regional area is in forest. The total areas of ownership available for treatment under the proposed legislation is about equal to all of the land in the coterminous United States in rural parks including the National Park System, State parks and related recreation areas, and National Forest Wilderness and Primitive Areas. Financial incentives, including cost-sharing and earmarking of funds for special forest conservation practices in a total and integrated resource context, are needed and desirable if management of private forests for purposes in addition to wood production is to occur.

This is because of the long term nature and relatively low rate of return on such investments, and because such management usually results in benefits of an intangible nature, or benefits that accrue to the public generally rather than the individual who bears the burden of establishing the conservation practice. This is particularly true for forest recreation, wildlife, watershed erosion control, and beautification practices where many of the effects are external to the site of application, the benefits accrue to the advantage of the general public and adjacent landowners, or to future generations rather than the present landowner.

Meeting the demands on forest land requires approaches that can accommodate consumptive use of forest resources and yet safeguard and enhance the environment. When managed as renewable resources, forests can do both—but a high order of sensitivity and technical skills is needed. Achieving this balance on hundreds of thousands of tracts owned by a great variety of people for a multitude of purposes is the overriding challenge to be met in designing and applying new incentives that will get the forest development and management job done.

THE PRESENT APPROACH

The present approaches to improved management of nonindustrial private forest lands fall in two general categories: (1) technical assistance programs, with a forestry orientation, and (2) motivational, or incentive programs, with an agricultural orientation.

Most of the technical assistance programs are administered cooperatively with State forestry agencies. They cover specific, functional program areas. Examples are the Cooperative Forest Fire Control and Tree Planting Stock programs, authorized by the Clarke-McNary Act of 1924 (43 Stat. 653, as amended, 16 U.S.C. 471, 505, 515, 564–70). Others include programs under the Cooperative Forest Management Act of 1950 (64 Stat. 473, as amended, 16 U.S.C. 568c, 568d), and Title IV of the Agricultural Act of 1956 (70 Stat. 207, 16 U.S.C. 568e–568g).

The principal incentives programs have been administered by the Agricultural Stabilization and Conservation Service, under a number of authorities, with primary emphasis on forestry in connection with agricultural conservation practices.

Except for the technical assistance programs, the present Federal efforts are not generally oriented in emphasis and funding toward an objective of providing additional goods and services from forest lands; they have a nonforestry focus. In adidtion, the present battery of programs, in total, is limited in size and emphasis, reaching a small proportion of forest landowners.

The present programs essentially lack authority for a direct cost sharing approach with the primary emphasis on forest production. They lack payments authority for the purpose of forest production. There is limited general assistance for nonconsumptive, public benefit activities and for emphasis on non-Federal publicly owned forest lands.

THE PROPOSED APPROACH—A FORESTRY INCENTIVES ACT

The draft bill is designed to fill in the gaps in existing programs. It would give major emphasis to non-Federal forest land management and provide the full range of tools which would assure the upgrading of the quality and productivity of these lands.

The bill would declare a Congressional policy that recognizes the need to further establish and improve management and development of non-Federal public and nonindustrial private forest lands to meet future forest resource needs. It would authorize the Secretary of Agriculture to develop and carry out a forestry incentives program to encourage etsablishment, protection, development, and management of these lands. The purposes of the program are to encourage landowners to apply practices which would provide for planting of trees on idle and understocked lands, and intensive multiple-purpose forest management and protection of forest resources for timber, recreation, watershed, forage, fish and wildlife and other environmental values. It would also authorize the investigation of other Federal assistance including loans, loan guarantees, and annual payments.

FOREST PRACTICES

It is contemplated that the forest practices which would be encouraged by the forestry incentivese program would fall in the following categories.

1. Resource Protection and Environmental Enhancement

Special practices are needed to supplement what can be accomplished through modification of timber management measures to protect resources and restore environmental quality. Erosion control, land stabilization, pollution abatement, and esthetic enhancement can often be accomplished by the establishment or manipulation of trees and associated plant cover.

2. Forest Establishment

Planting trees today is one of the most cost-effective ways to assure a supply of timber for tomorrow. The backlog of idle acres, poorly stocked forests, and other tracts that could and should be planted is truly immense. Forest Survey estimates indicate that by 1975 about 100 million acres of non-Federal land will need to be planted or have stocking increased by planting additional trees. Present accomplishment is estimated to be about 1.1 million acres per year. In addition, planting of unneeded agricultural land to improve land use patterns and ease crop surplus problems presents excellent additional opportunities.

3. Forest Improvement

A variety of cultural treatments have proven to be effective in stimulating growth and improving the quality of timber available for harvest. About 15 percent of the growing space in timber stands on nonindustrial private lands are occupied by defective, unproductive plants and trees. Also trees of inferior timber species inhibit growth of adjacent trees, and utilize moisture, soil nutrients, and sunlight that could otherwise be converted into useful forest products. In State after State, forest surveys have shown this inefficient use of growing space to be one of the primary reasons for forest lands in nonindustrial private holdings to be producing at half or less of their potential.

Timber stand improvement practices include removal or deadening of cull trees so the growing space they occupy is available for better quality trees. Cleaning, weeding, precommercial thinning, and release of promising young crop trees by removal of overtopping vegetation are other examples of cultural work that can convert and stimulate an unmanaged forest.

4. *Recreational and Wildlife Habitat Improvement*

Although modification of timber practices is a very effective tool in multiple-purpose management, there is a need for specific practices that will help accommodate recreation use and improve wildlife habitat. These two are closely allied. The primary use and value of wildlife populations relates to their importance as the foundation of many outdoor recreational activities. Generally, improvements to wildlife habitat also add to recreational opportunities.

5. *Multipurpose Management*

Timber-oriented practices provide the main opportunity for meeting other needs. Modification of timber management can benefit wildlife habitat, outdoor recreation, soil and water values, and environmental quality. The incentives program would foster multipurpose management and coordination of uses in every way feasible.

6. *Complete Management Planning and Application*

Sound planning and application of practices to make the best use of the forest for all values will be encouraged.

7. *Production of Nontimber Products*

There are opportunities for low-income and other owners of forest land to produce and market nontimber products such as maple syrup, berries, nuts, and decorative or medicinal materials. Incentives to help establish these activities, where appropriate, would help rural development.

INCENTIVES

The bill would specifically authorize the Secretary of Agriculture to provide the following types of forestry incentives.

1. *Cost Sharing with Individual Landowners*

Cost sharing would be for the practices listed above which carry out the general purposes of the program. The Federal share could be up to 80 percent of the cost of practices on nonindustrial private lands and up to 50 percent of the cost of practices on non-Federal public forest land. The 50 percent limitation on public lands is consistent with present Federal-State cooperative forestry programs. State and local committees established for Agricultural Conservation Program practices under Section 8 of the Soil Conservation and Domestic Allotment Act could be utilized for these cost sharing arrangements.

2. *Cost Sharing with Nonindustrial Associations and Groups of Landowners*

This incentive would be available only to associations or groups of timber landowners for the purposes of providing manpower, equipment, planting stock, and other materials to carry out program practices. Controls over use of materials and services would be through agreements between the Secretary and the associations or groups.

3. *Grants or Cost Sharing with Nonindustrial Private Owners for Public Benefit Activities*

The principal objective of these incentives is to provide for those forest management activities which have primary public benefit, but which may not be profitable or attractive from the landowner's viewpoint. Practices included are those necessary or desirable for wildlife habitat improvement, soil and water conservation, environmental protection and enhancement, and access for public recreation. Because public benefit is the objective of such measures, these incentives would provide for payment of up to the full cost of the practices involved. Other incentives included in the draft bill have limitations on the Federal share.

As with certain other incentives in the program, the services of State and local committees established for the Agricultural Conservation Program could be used to administer the payments and cost sharing.

INVESTIGATION OF FORESTRY LOANS AND ANNUAL PAYMENTS

The existing agricultural-oriented loan programs of this Department do not provide adequate incentives to encourage private forest landowners to meet the purposes of the forestry incentives program. Preliminary investigations indicate that there are some special types of loans or loan guarantee mechanisms which could be useful in encouraging long term, high-level, forest management practices.

Low interest, deferred payment loans tailored specifically to forestry practices appear promising. Another approach is a nonrecourse loan, the security for which would be limited to woodland assets. Such a loan would be repaid from timber sale receipts at the time of harvest.

Other possible approaches include annual or periodic payments and long term, of "wavier" loans. If the landowner carries out multipurpose management and improved harvest procedures for a specified period, a portion of the loan principal and interest would be waived at maturity.

The draft bill would give the Secretary of Agriculture authority needed to pilot-test and evaluate the effectiveness of these mechanisms in encouraging improved private forest land management. These and other experimental loans would be made only on a pilot basis. Should the investigation and study of the loans prove successful, the Department will request the detailed, specific loan authority which would be appropriate for a long term loan program. The bill limits the level of the pilot program to $5.0 million annually.

INSTITUTIONAL ARRANGEMENTS

The Department of Agriculture operates existing forestry and conservation assistance programs through a number of general institutional arrangements. Cooperative forestry programs are conducted by the Forest Service through the State Foresters or equivalent officials who in turn provide technical and other assistance to private forest landowners. Forestry activities are an integral part of the watershed approach of the Soil Conservation Service, which assists individual landowners through Soil and Water Conservation Districts. Cost sharing with private landowners for specific forestry practices is also provided through the State and local Agricultural Conservation Program Committees. These Committees are also involved in annual and periodic payments for other conservation practices.

The forestry incentives program would be operated through these existing arrangements in all possible cases. Its principal impact would be to add a number of new tools to existing assistance approaches. The draft bill will also emphasize forest management objectives in a way that will strengthen forestry aspects of existing programs.

OUTPUTS AND COSTS

The following table displays the program levels and outputs proposed and expected during the next 10 years.

The proposed program is aimed at (1) relative price stability for softwood lumber and plywood, and (2) a meaningful contribution to improvement of environmental quality, expansion of outdoor recreation opportunities, enhancement of wildlife habitat, protection of soil and water values, and beautification of the landscape. The basic level recommended for State, county, and municipal forest lands provides a minimal base on which to develop a comprehensive program for these lands.

Program funds would be made available for the following purposes:

Cost-sharing with landowners for carrying out program practices.

Cost of administering program funds including such costs as those connected with disbursing cost-sharing payments and making loans.

Cost of technical assistance for which agencies are responsible in connection with laying out practices and checking for compliance with specifications.

INCENTIVES PROGRAM FOR STATE, COUNTY, AND MUNICIPAL FOREST LANDS (BASIC LEVEL)

Activity	Accomplishment targets—10 years (million acres)	Added annual growth (billion board feet)	Estimated annual average Federal cost (millions of dollars)
Timber management intensification	[1] 3.1	0.6	4.6
Environmental improvement and protection [3]	1.1	0	2.7
Total	4.2	9.2	7.3

[1] In addition to timber production measures, this includes modifications of these measures to protect and improve environmental values.

[2] Includes 2,000 miles of trail construction and treatment of 56,000 miles of logging roads.

[3] Includes 5,000 miles of trail construction and treatment of 5,000 miles of logging roads.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE ASSISTANT SECRETARY FOR MANPOWER,
Washington, D.C., August 12, 1971.

Hon HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: The Department of the Treasury has asked me to respond to one of the questions which your Rural Development Subcommittee submitted to that Department following the testimony of Secretary Connally on the Administration's revenue sharing proposals. The question, with our answer, follows:

Q. 21. What will be the effect of the revenue sharing proposals on administration of the Labor-Relations Act?

A. The Manpower Revenue Sharing Act would reform and consolidate the delivery of the various manpower training programs. In our view, manpower revenue sharing would not affect the administration or content of the National Labor Relations Act.

It is important, of course, to explore all aspects of revenue sharing as thoroughly as possible. I appreciate your efforts in doing so, because I am confident that the answers you receive will support the judgment that it is time to give local officials new tools with which to serve their citizens better.

Sincerely,

MALCOLM R. LOVELL, JR.,
Assistant Secretary for Manpower.

STATE OF KANSAS,
OFFICE OF THE GOVERNOR,
Topeka, Kans., August 6, 1971.

Hon. HUBERT H. HUMPHREY,
Chairman, Rural Development Subcommittee, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HUMPHREY: This letter is in response to your earlier request in your capacity as chairman of the Rural Development Subcommittee of the Senate Committee on Agriculture and Forestry for views from the nation's governors concerning problems of rural areas.

It is my pleasure to enclose a copy of my statement on agriculture and rural America which was prepared for the 1971 Midwestern Governors' Conference at Sioux City, Iowa and South Sioux City, Nebraska, July 18–21. I believe this statement details many of the frustrations many Kansans feel regarding the federal governments attitudes toward agriculture, as well as some recommandations for improving the situation.

I appreciate this opportunity to present my views on this important aspect of life in our nation for consideration by your subcommittee.

With every good wish.

Yours sincerely,

ROBERT DOCKING.
Governor of Kansas.

(The statement is as follows:)

Though producing and marketing food is our nation's largest and most basic industry, the mere survival of the man who tills the soil in America today is being seriously threatened.

Agriculture is an essential in the overall economy of the United States. Agriculture and its related activities provides jobs for two out of every five gainfully employed persons in our nation. It turns the wheels of American industry; it is the greatest single factor in bolstering the entire financial picture.

In Kansas—as in all the Midwestern states—agriculture's role is even more pronounced than in the United States as a whole.

Agricultural contributions are expanding dramatically. American farmers are producing more and better food than ever before, with less manpower, but with intelligent, scientific use of improved varieties and breeds, and increased use of fertilizers, irrigation, summer fallow, conservation practices, modern equipment and highly developed technical knowledge.

We are seeing the results. In Kansas, production and value of farm products during the past 10 years has been 25–50 per cent higher than for any other decade in Kansas history.

This overwhelming production of our farmers is a gift to all Americans—an abundance of quality food; a standard of living similar to few nations of the world—and all at the lowest relative cost at any place, anytime. Food costs in the United States represent only 16 per cent of the consumer dollar——the lowest in history—and the lowest of any nation.

Lest we become too comfortable with the agricultural picture I have painted—though it is accurate—the other side of the agricultural coin reveals a serious threat to the Midwestern farmer.

The story of American agriculture today is a narrative of a mircle in productive capacity. ut more and more we are finding that those who provide the agricultural abundance are not rewarded in like proportion. In spite of their skilled and dedicated service to us all, the farmer receives less than an equitable share of the national income.

This is a serious problem. It is serious to not only the farmers struggling to stay in business, but also to the many industries dependent on agriculture. It holds grave implications for the nation's economic structure which moves in sensitive reaction to the ups and downs of farm income.

The states we represent compose the great food producing belt of the nation. As governors of the Midwestern states, it is imperative that we give careful attention to the problem of fair income to agriculture.

Twelve midwest states produce more than 84 per cent of the nation's corn, 72 per cent of the feed grains, 56 per cent of the wheat, 98 per cent of the flaxseed, 75 per cent of the soybeans, 85 per cent of the hogs, 60 per cent of the red meat, 82 per cent of the creamery butter and 73 per cent of the cheese. These states have more than 83 per cent of the nation's corn pickers, 70 per cent of the combines and 72 per cent of the power elevators. These are mere examples of our area's predominance in United States agriculture.

But consider these facts:

1. The parity ratio of prices received by farmers for all commodities, in comparison with prices they pay, is the *lowest since the depth of the depression days of 1933*. On June 15 this year—just last month—the parity index for prices received was 288, and for prices paid, 412, giving the extremely unfavorable parity ratio of 70—*the lowest in 38 years.*

2. The parity picture on wheat is even worse. *Current prices actually are less than half the parity figure* of $2.93. Kansas wheat growers have just completed harvesting an excellent crop from a relatively small acreage. In spite of the serious drought and near crop failures in Texas and Oklahoma, and in spite of the sharp increase in feeding wheat to livestock, the price is poor. At $1.39 a bushel, Kansas farmers are receiving slightly more than the $1.13 received last year, yet it is pitifully poor when compared with the price of $1.87 in 1950, $2.09 in 1955, $1.70 in 1960, and pitiful when compared with the U.S. parity figure of $2.93, which reflects cost of production in relation to price.

In 1960, farmers paid approximately $7,000 for a large combine. At that time, 4,000 bushels of wheat would bring enough to pay for the combine. Today, a 19-foot combine costs about $20,000—nearly three times the cost of 10 years ago—and now a farmer needs 15,000 bushels of wheat to pay for that combine. This is only one example of how farm production costs have risen in relation to prices received for a very basic farm commodity.

Last fall the announcement of increased wheat acreage allotments occurred after winter wheat producers had planted a smaller acreage than for the year before. The more liberal planting provision of the 1971 government wheat program thereafter provided an opportunity for producers of spring wheat to sharply increase their plantings this past spring. We are hopeful that decisions on the set aside for the 1972 program will be made in ample time to prevent winter wheat growers from being penalized as they were last year.

3. Prices for hogs, poultry and eggs in recent months have been most discouraging. While beef prices have been holding fairly steady, an increase in import quotas would be particularly distressing to cattlemen.

4. Farm mortgage indebtedness has been increasing at an astounding rate. It is two and one-half times the amount of 10 years ago, and six times the amount of 20 years ago. This has resulted, in part, from higher prices for land and from higher rates paid for labor, materials and equipment. As agriculture becomes more commercialized and as competition becomes more intense, credit is needed in ever-increasing amounts for successful modern farming.

5. Interest paid by farmers on their debts, has tripled in the past 10 years. Higher rates, and increased volumes of borrowing have contributed to this situation.

6. Taxes on farm property have nearly doubled in the past 10 years. This has combined with higher costs of land, labor, equipment, interest and other items to help push cost of production to a dangerous all-time high.

7. Farm people migrating to the cities is eroding the vital human resources of rural America. It is particularly serious in the loss of outstanding young people with background and training for valuable, productive service. This situation is accelerated by some of the current problems facing agriculture.

8. Agriculture faces complications of the image to consumers and problems in use of productive technology. During the past few sessions of Congress, consumer protection and ecology have been magic words. I am pleased to report that Kansas has enacted a pesticide use law, which is designed to outline safety guidelines for the necessary use of chemicals. Also, Kansas, along with 45 other states, now conducts a meat and poultry inspection program which is at least equal to standards set by the federal government.

9. The develoment of new uses and new markets for agricultural products has not kept pace with technology for producing increased volumes of crops and livestock.

10. Small farms are rapidly disappearing because they cannot support present high costs of machinery, equipment, and other items necessary for competition in modern, highly automated agriculture.

11. Transportation rates are of increasing concern to Midwestern agriculture. I am pleased with a recent action of the Interstate Commerce Commission authorizing the Santa Fe Railway to publish reduced local freight rates on wheat and flour shipped from Midwestern origins to West Coast destinations. This will help wheat farmers and our flour mills, but we have other rate problems in transporting farm commodities, particularly rates on livestock and meat. In Kansas the largest industry is cattle production; the second largest packing red meat. With 90 percent of our meat moving to markets outside the state, transportation rates are extremely important.

12. A relatively new cloud of concern hovers over American agriculture in the threat from corn leaf blight. I am sure most of the states represented here feel this concern, and most of us do not yet know the extent of this threat. In Kansas, so far this year, corn leaf blight has been found in 26 of our 105 counties, with approximately 200.00 0acres known to be affected. In some areas, up to 50 percent of the fields are affected.

Solving or easing the problems I have mentioned will require serious, concentrated effort. The cause merits dedicated attention from this conference. We must give leadership and full support toward easing the pressures on the agricultural industry which is vital to us all. This ten-point agricultural program could help relieve the burden on the midwestern farmer.

1. Most important of all, effective means must be found for halting the ever-growing cost-price squeeze on farmers. *The forward progress and development of our nation must include equitable prices, and an equitable share of the national income for those engaged in agriculture.*

2. Funds made available for farm programs should be increased. Farm programs have been designed to protect farmers from sharp declines in farm prices. There should be a continuance of programs that will help make it possible for farmers to obtain a reasonable return on their investment and a livable wage for their labor. We must insist that changes in national farm programs be announced early enough for farmers to make necessary or allowable adjustments.

3. We must hold the line on imports of farm commodities which could depress markets for the produce of American farmers.

4. Provision must be made for supplying low interest rate loans, in adequate amounts, so farmers can compete in this highly competitive economy.

5. There must be genuine tax reforms to relieve the intolerable tax load now imposed upon those who use massive investments in real and personal property to provide food, clothing, and shelter for all of us.

6. To halt the migration from rural to urban centers, we must see that federal programs give to rural areas the same attention and the same concessions which have been made vailable to urban communities. Greater emphasis must be placed on rural medical health, rural housing, rural water and sewage systems, rural roads and rural telephone services. These are all vital to the health and well-being of our farm families and all others in rural areas.

7. We must continue and intensify our concerted efforts on wholesomeness and quality of product, safe, attractive packaging. We must continue and inten-

sify our search for new uses and new markets for agricultural products, particularly in the area of international markets. I am enthusiastic about the potential of MIATCO, the Mid-America International Agri-Trade Council, organized, promoted and directed by the departments of agricultnre of 12 Midwestern states. It is a progressive move in an area vital to agriculture.

8. It is imperative that we give careful attention to transportation rate structures and their affect upon farm commodities and the products of agribusiness in our area. This is an item of most urgent consideration.

9. Agriculture, as the nation's largest and most basic industry, merits recognition as a department of federal government. I view with concern any proposal to fragment this agency which is so vital to the complex industry of nationwide production and distribution of agricultural commodities.

10. We must insist upon accelerated research in areas of crippling plant and animal diseases and parasites which rob the profits from agriculture. In a like manner, we must insist upon more research to develop new and expanded uses of farm commodities, especially those which experience distressed markets.

It is my sincere hope that the Midwestern Governors' Conference group will seriously consider the program I have outlined and that constructive action will be taken by this group during our conference here.

The threatened farmer needs help. And we can play a leading role in bringing relief to the Midwestern farmer.

To do less would be to shirk our responsibilities as governors of the nation's breadbasket.

DEPARTMENT OF AGRICULTURE,
OFFICE OF ASSISTANT SECRETARY,
Washington, D.C., June 11, 1971.

Hon. HUBERT H. HUMPHREY,
U.S. Senate,

DEAR SENATOR HUMPHREY: This is in response to your letter of May 17 requesting information concerning the role of REA and its borrowers in assisting with business development in rural America.

The significance of the rural electric and telephone programs of REA to the social and economic development of rural areas is well known. The availability of these services not only improves living conditions but also makes possible the establishment and expansion of businesses and industries. Helping to improve the "business climate" of rural areas by helping to provide good electric and telephone service is a major component of REA's efforts in rural development. In addition REA recognizes its responsibilities for assisting its borrowers with their efforts to contribute to the total growth and development of the areas they serve. More than 1900 REA financed electric and telephone systems serve in 89 percent of the nation's counties.

The enclosed REA Bulletin 9-1 and Staff Instruction 9-1 contain REA's policy and guidelines with respect to development matters. As indicated in Bulletin 9-1, REA's assistance takes the form of providing information and technical assistance. We recommend that borrowers not serve as a source of credit to commercial, industrial or other enterprises. The limited loan funds available are needed for financing electric service, and REA has no explicit authority to finance industrial development and community facilities other than electric and telephone.

However, we do encourage and assist them in helping to locate needed investment capital. Many borrowers have been successful in bringing to their areas the business financing available from SBA, EDA and the private sector. The record indicates that REA borrowers are making significant contributions to business development in rural areas without serving as a source of credit, other than for electric and telephone service.

We are enclosing a list of the loans made under Section 5 of the Rural Electrification Act to finance electrical equipment for commercial and industrial enterprises from September 1961 to January 1969. Twenty-seven borrowers received such financing. Four of these loans represent serious financial problems for the borrowers involved.

On March 13, 1969, we revised the Section 5 loan policy to exclude loans to commercial and industrial enterprises. In keeping with the original intent of Section 5, we continue to make available financial assistance to rural families for electrical appliances and equipment where this is needed.

Although it is generally recognized that a need exists for more business capital in rural areas, we question the merits of using the REA program for this purpose particularly since Federal agencies already exist for this purpose. In rural areas, for example, we have found the 502 program of the Small Business Administration adapts well to the needs of rural areas, and is most helpful.

We believe the role of REA and its borrowers should continue to be that of assuring good electric and telephone service and at the same time provide information and technical assistance needed for business development, housing, water and sewer, etc., in the areas they serve.

We are enclosing the results of a recent survey of REA borrowers and several success stories which give some indication of the progress being made to improve the economic base of their service areas.

Sincerely,

T. K. Cowden,
Assistant Secretary.

(The enclosures are as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE—RURAL ELECTRIFICATION ADMINISTRATION

JUNE 18, 1969.[1]

REA BULLETIN 9-1 (ELECTRIC)—REA BULLETIN 309-1 (TELEPHONE)

SUBJECT: COMMUNITY DEVELOPMENT

I. Purpose

The purpose of this bulletin is to establish guidelines for Rural Electrification Administration participation with borrowers and their associations in community development activities.

II. Policy

A. REA's emphasis on community development activities recognizes responsibility for assisting borrowers to improve local economic conditions in promoting loan security and in furtherance of the objectives of the rural electrification and telephone programs.

Community development activities help borrowers build financial and operating strength. Improved economic conditions result in more stable and prosperous rural communities and benefit borrowers through greater utilization of facilities.

B. REA will assist borrowers and their associations in organizing available resources to carry out programs and promote individual projects which will contribute to the growth and strengthening of electric and telephone systems. REA will consult, draw upon, and cooperate with other interested agencies, local, State and Federal, in promoting community development activities.

The initiative, leadership and interest of borrowers will largely influence the extent of REA activities and assistance.

C. REA recommends that, to the extent legally permissible and financially practicable borrowers participate actively in community development work. Borrowers are in a position to make a major contribution to the growth and development of the rural areas they serve. For example, they can:

1. Exert leadership in establishing and supporting an active local development organization to make surveys, inventory resources, determine opportunities for improvement, and establish a comprehensive economic development program for the area.
2. Assist in the establishment of local development corporations which can stimulate and help finance new or expanded rural enterprises.
3. Assist prospective individual enterprises in matters such as location, organization, financing, construction and operation.
4. Participate with local groups concerned with the furnishing or improvement of needed community facilities.
5. Coordinate local development activities with Statewide and other associations of borrowers, whenever practicable, and with the State economic development agency.
6. Make their facilities available for community development activities, such as the training or retraining of unemployed or underemployed people.

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[1] Replaces REA Bulletins 800-1 dated June 3, 1966 and 800-3 dated September 11, 1961.

D. REA recommends that its borrowers not serve as a source of credit to commercial, industrial, or other enterprises. This should not, however, preclude borrowers from making nominal expenditures to carry out community development programs, including participation in the financial support of local development corporations and other types of community development organizations. Before taking such action, borrowers should determine that their proposed expenditures would be consistent with their bylaws and are otherwise legally permissible.

III. Obtaining REA Assistance

Specialized assistance is available to borrowers and their associations in community development activities, including promotion, stimulation, organization, financing, construction, and operation of rural enterprises. Borrowers may request assistance of REA personnel or may submit questions or requests concerning any aspect of community development to the respective Area Directors.

David A. Hamil, *Administrator*.

United States Department of Agriculture—Rural Electrification Administration

January 6, 1970.[*]

Staff Instruction 9-1 (Electric)—Staff Instruction 309-1 (Telephone)

SUBJECT: COMMUNITY DEVELOPMENT

I. Purpose

To establish responsibilities and provide general guidelines for assisting borrowers in their community development efforts. REA policy and recommendations to borrowers with respect to community development are contained in REA bulletin 9-1 (Electric): 309-1 (Telephone).

II. General

A. As well established local organizations in rural communities, REA borrowers are in a position to make significant contributions to the growth and development of the areas they serve. Since the operating strength of the borrower is dependent upon the economic condition of its service area, it is essential that REA help identify and encourage participation in those activities that will contribute to the improvement of the environment in which it must do business. (Refer to Bulletin 9-1: 309-1 for examples of the types of activities which should be encouraged and supported when appropriate.)

B. In assisting borrowers, it should be recognized that the specific ways in which they can participate in community development will vary from area to area due to differences in history, circumstances, traditions and the customary ways of doing things through local group action. To the maximum extent feasible, the details of the development process should be left to local determination.

C. REA recommends that its borrowers not serve as a source of credit or investor in commercial, industrial or other enterprises. This should not, however, preclude nominal financial participation with others in local development corporations and other types of community development organizations.

D. REA can best support the efforts of its borrowers by providing the specilized assistance as needed to prepare community development programs as well as assist with specific projects. Priority should be given to request from existing and potentially delinquent borrowers.

III. Responsibilities for community development activities

A. *Community Dvelopment Staff*—This staff is responsible for:

1. Developing program materials for borrower use and guidelines for area personnel.
2. Coordinating REA's community development activities with those of USDA and other Federal agencies, as appropriate.
3. Providing or arranging for specialized field assistance to borrowers and their associations on specific projects as may be determined jointly by the Community Development Coordinator and the appropriate Area Director.

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[*] Replaces Staff Instructions 800-1 dated July 17, 1969; 800-2 dated Feb. 12, 1965; and Revised Staff Instruction 20-7, Part 4:821-1 dated July 17, 1961 with respect to Community Development activities.

4. Coordinating with electric and telephone area offices and the Borrower's Financial Management Division in the selection of field personnel to represent REA on USDA State Rural Development Committees.

5. Keeping the area offices advised of Federal, State and private programs applicable to community development.

6. Representing REA on interagency and intra-agency committees when appropriate.

7. Assisting Information Services Division in developing brochures and other materials designed to stimulate borrower participation in community development.

B. *Area Offices*—All line functions shall be the responsibility of the area offices. The area office shall be responsible for:

1. Encouraging borrowers to participate actively with other local and state organizations engaged in community development activities.

2. Providing borrowers on a continuing basis with informational material applicable to community development.

3. Assisting borrowers on an individual basis in formulating and implementing systematic approaches to effective community development work.

4. Providing or arranging for specialized field assistance on specific development projects when appropriate.

5. Providing the Community Development Staff with copies of field reports and correspondence to serve as background material in developing effective programs.

6. Assisting area office field personnel to USDA field committees as directed. Such assignments should be coordinated with the Community Development Staff.

7. Keeping abreast of borrowers' community development activities and preparing reports thereon as may be required.

8. Assuring that the community development function is included in any overall management improvement plan that REA might suggest to a particular borrower.

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Deputy Administrator.

RAD SEC. 5 LOANS APPROVED SINCE SEPTEMBER 1961 (NET)

REA borrower	Approved	Amount	Consumer
North Dakota 17 McHenry: [Verendrye Electric] Cooperative, Inc., Velva, N. Dak.	Sept. 8, 1961	$25,000	Thompson Construction, Inc., Velva, N. Dak. (general construction—gravel crushing and washing equipment). (Marvin Lumber & Cedar Co., Warroad, Minn. (rehabilitation of millwork operations).
Minnesota 97 Roseau: Roseau Electric Cooperative, Inc., Roseau, Minn.	Oct. 9, 1961	280,000	S. P. Lipoma & Associates, Inc., Kennedy, Minn. (pototato processing).
Illinois 44 Carroll: Jo-Carroll Electric Cooperative, Inc., Elizabeth, Ill.	Dec. 22, 1961	22,068	Chesnut Hills Resort, Inc., Hanover, Ill. (snowmaking equipment, motors, outdoor lights).
Idaho 4 Bonner: Northern Lights, Inc., Sandpoint, Idaho.	Feb. 21, 1962	[1] 54,000	Durable Wood Products, Trout Creek, Mont. (lumber mill).
North Carolina 36 Randolph: Randolph Electric Membership Corp., Asheboro, N.C.	June 6, 1962	18,781	Eureka Mills, Inc., Carthage, N.C. (knitting mill).
Idaho 11 Kootenai: Kootenai Electric Cooperative, Inc., Coeur d'Alene, Idaho.	June 22, 1962	35,500	Empire Lumber Co., Coeur d'Alene, Idaho (lumber business).
Wisconsin 40 Barron: Barron County Electric Cooperative, Barron, Wis.	Aug. 29, 1962	90,988	Falcon Drill Co., Inc., Cumberland, Wis. (precision drills).
Georgia 83 Jackson: Jackson Electric Membership Corp., Jefferson, Ga.	Sept. 29, 1962	135,558	Southeastern Freezer Corp., Gainesville, Ga. (commercial freezer and storage facility).
Idaho 11 Kootenai: Kootenai Electric Cooperative, Inc., Coeur d'Alene, Idaho.	......do........	75,000	Benewah Lumber Cooperative, Inc., Plummer, Idaho (lumber cooperative).
Indiana 89 Harrison: Harrison County Rural Electric Membership Corp., Corydon, Ind.	Oct. 12, 1962	187,250	Indiana Class Sand Corp., Corydon, Ind. (glass sand and silica flour production).
Minnesota 39 Chippewa: Minnesota Valley Cooperative Light & Power Association Montevideo, Minn.	Dec. 3, 1962	23,500	Chandler Industries, Inc., Boyd, Minn. (machine shop).
Oklahoma 6 Caddo: Caddo Electric Cooperative, Binger, Okla.	Apr. 18, 1963	60,000	Sequoyah Mills, Inc. Anadarko, Okla. (carpet manufacturing).
Oklahoma 29 Hughes: Canadian Valley Electric Cooperative, Inc., Seminole, Okla.	May 7, 1963	21,000	Wetumka Farm-Ranch Group, Inc., Wetumka, Okla. (cooperative custom feed mill and general farm supplies).
North Dakota 35 Burleigh, Capital Electric Cooperative, Inc., Bismarck, N. Dak.	June 12, 1963	125,000	Northland Packing Co., Bismarck, N. Dak. (meatpacking plant).

RAD SEC. 5 LOANS APPROVED SINCE SEPTEMBER 1961 (NET)

REA borrower	Approved	Amount	Consumer
Pennsylvania 20 Blair: Valley Rural Electric Cooperative, Inc., Huntingdon, Pa.	Aug. 13, 1963	110,000	Blue Knob Development Corp., Altoona Pa. (ski resort).
Alaska 8 Chugach: Chugach Electric Association, Inc., Anchorage, Alaska.	Apr. 23, 1964	338,729	Matanuska Maid, Inc., Palmer, Alaska (cooperative dairy).
South Dakota 41 Todd: Cherry-Todd Electric Cooperative, Inc., Mission, S. Dak.	June 30, 1964	29,202	Sioux Dairy Cooperative, Inc., Mission, S. Dak. (cooperative cheese processing).
Idaho 11 Kootenai: Kootenai Electric Cooperative, Inc., Coeur d'Alene, Idaho.	Nov. 14, 1964	20,000	Empire Lumber Co., Coeur d'Alene, Idaho, (lumber business).
Indiana 99 Spencer, Southern Indiana Rural Electric Cooperative, Inc., Tell City, Ind.	May 17, 1964	280,000	Storrs Wood Products, Inc., Evanston, Ind. (manufacture of fiberboard).
Kansas 7 Jewell: The Jewell-Mitchell Cooperative Electric Co., Inc., Mankato, Kans.	Apr. 15, 1966	325,000	Mankato Commercial Development Association, Inc., Mankato, Kans. (facility for meat packing plant).
Alaska 8 Chugach: Chugach Electric Association, Inc., Anchorage, Alaska.	June 30, 1966	145,000	Carr's Food Center, Inc., Anchorage, Alaska (food market).
South Carolina 32 Calhoun: Tri-County Electric Cooperative, Inc., St. Matthews, S.C.	Oct. 28, 1966	300,000	Tri-County Development Co., Congaree, S.C. (steel joist manufacturing plant).
North Dakota 25 Morton: Mor-Gran-Sou Electric Cooperative, Inc., Flasher, N. Dak.	Oct. 5, 1967	125,000	Conrad Publishing Co., Mandan, N. Dak. (commercial printing plant).
Alaska 2 Matanuska: Matanuska Electric Association, Inc., Palmer, Alaska.	Jan. 15, 1968	40,000	Milking Services, Inc., Palmer, Alaska (central milking facility).
Oklahoma 29 Hughes: Canadian Valley Electric Cooperative, Inc., Seminole, Okla.	Dec. 5, 1968	300,000	United Clay Pipe Co., Seminole, Okla. (manufacture of vitrified clay sewer pipe and other clay products).
Nebraska 77 Norris: Norris Public Power District, Beatrice, Nebr.	Jan. 16, 1969	117,000	Odell Development Corp., Odell, Nebr. (manufacture of thermaplastic products).
Net (26 loans, 27 consumer loans)		3,283,576	

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[1] These funds actually loaned in October 1958 but were used for RAD loan in 1962.

Note: Since September 1961, REA has approved a total of 32 commercial and industrial loans involving $3,569,000 REA loan funds. 5 of these consumer loans have been rescinded in full and the unused portions of 7 additional loans have been rescinded, leaving 27 active consumer loans involving $3,283,576 in REA loan funds.

COMMUNITY DEVELOPMENT SURVEY

For the calendar year 1970, 942 electric and telephone borrowers reported their community development activities. The following data was tabulated from information provided by the survey:

Total completed projects assisted	765
Types of projects:	
Agriculture	63
Forestry	44
Recreation	116
Community facilities	227
Other (manufacturing and service)	315
	38,570
Jobs:	
Direct	23,809
Indirect	14,761

In addition to planning and providing electric or telephone service to 698 of the above projects, REA borrowers provided the following types of assistance:

	Frequency
Arrange financing	152
Securing or providing development assistance	296
Securing or providing marketing or management assistance	69
Securing or providing plant design or other technical assistance	232
Assist in providing industrial sites	61
Providing office and meeting space, typing, clerical or other assistance	208

When asked if they were active in community development organizations, 466 borrowers indicated that directors, management or employees were active in a total of 712 such organizations.

Obviously this report does not reflect all the assistance given by our borrowers during the year, as 888 did not respond to the survey.

Since mid-1961, surveys indicate that more than 4,865 commercial, industrial and community facilities projects have been assisted by REA borrowers. The direct jobs created in these undertakings have risen to an estimated 210,600. About 134,000 indirect jobs in related industries have followed, bringing total jobs created to over 344,000.

SUCCESS STORIES

THE FOUR WINDS COUNTRY, TEXAS

A program which might serve as a model for any rural development group has been organized in the counties of Childress, Cottle, Foard and Hardeman, the Four Winds area of North Texas.

Their problems were multiple. Some communities, Foard City, Margaret and Childress, for example, had decayed into ghost towns, with abandoned houses, boarded up stores, and nearby deserted farms. Remaining farms were larger, widely separated, mechanized, swallowing up smaller places, displacing families. Outmigration increased steadily since 1950. Ninety percent of area high school graduates moved away to find jobs in urban areas.

Local leaders took steps to remedy the situation. They formed the Four Winds Industrial Foundation with these aims: help develop and finance area businesses and industries; speed cooperation between public and private agencies; and involve the wholehearted commitment of area people at all levels. The Foundation has been outstandingly successful in achieving these goals. Also formed was a Resources, Conservation & Development Project. The Foundation made use of OEO "Job Core Training Programs". They applied for Small Business Administration loans. They worked with the Red River Water Authority, and with the Farmers Home Administration for housing and water and sewer facility development. A HUD grant will be used for area redevelopment. The development group cooperated with the Nortex Regional Commission and with Texas State Parks & Wildlife Dept. to develop a State Park adjacent to a new water reservoir which is a joint project with the U.S. Corps of Engineers.

Plans of the Four Winds Industrial Development Foundation include expansion of existing industry; obtaining new industry; reviewing land use; seeking Industrial water supply; surveying area recreational land and water possibilities; establishing financing sources, public and private; developing a regional information and marketing service system; improving community facilities and services, expanding water and sewer systems; improving and expanding vocational training; providing facilities for higher education; improving transportation facilities; developing a housing program for repair and construction.

Results of this Foundation activity have steadily accrued: A large mobile home manufacturing plant has opened a factory near Childress. The company employs 100 or more semi-skilled and skilled workers, guaranteeing 100 area families stable employment. A tannery is considering the area for a plant site. The Thirsty Water System is in operation. The Readi-Rain Water System and the North Wichita River Water Association loan applications have been approved by FHA, and the systems are awaiting appropriations. The Foundation has prepared a brochure listing resources of the area—people, land, water, agricultural, industrial, public facilities, recreational—and other pertinent data. Labor and health surveys have been made for the four counties. The Foundation has had the full cooperation of the Texas Industrial Commission in contacting, informing, and attracting industry.

The Gate City Electric Cooperative, Childress, has taken a leading role in this community development program. Manager R. A. Yarbrough is involved with the community development programs as Executive Director of the Four Winds Industrial Development Foundation. He is the field coordinator for the Nortex Regional Planning Commission and a member of the Reclamation, Conservation & Development Board. O. T. Holmes, President of the co-op Board of Directors, is working in soil conservation with the R, C & D Board and is active in the development of rural water systems. Others of the Gate City Electric Cooperative involved in area community development projects are B. L. Smith, Board Secretary-Treasurer, and Mrs. Doris Crain of the co-op staff.

Washington-level coordinating of the Four Winds program was performed by the Rural Development Staff of REA. They not only tied in the various resources of the USDA, but attracted non-USDA programs. Technical assistance is provided on the spot by USDA field personnel in the project areas.

THE SALT RIVER DEVELOPMENT PROGRAM, KENTUCKY

In a report dated March 12, 1970, manager J. S. Broaddus of the Salt River Rural Electric Cooperative Corporation, Bardstown Kentucky, outlined a story of area growth and development.

Bardstown, county seat of Nelson County, is the "Bourbon Capital of the World." There was employment, but it was seasonal and linked to an unstable economy.

Area leaders through the Bardstown Chamber of Commerce, formed an Industrial Development Corporation. Mr. Broaddus and his staff at Salt River RECC took active leadership roles in the establishment and activities of this committee. Using funds solicited from businessmen, the IDC optioned a 47-acre tract of land along the railroad. City government provided water and sewer mains to the property.

The first success was in securing a $5 million plastic building materials plant, employing 125 men, and covering an area of 65,000 feet. A second tract of 116 acres was immediately optioned. A $7.7 million paper products company moved in. The building alone covers 12 acres; the plant employs 300 local people. The paper mill is located in the Salt River RECC service area; a 10,000 kv substation was built to serve it.

Other local improvements have followed: an airport, water district, recreation projects, hospital expansion, a new vocational school and a consolidated high school. The Salt River RECC headquarters building is used for Industrial Development planning sessions, and the cooperative staff remains active in all phases of community development.

RURAL DEVELOPMENT, EASTERN TENNESSEE

A Tennessee electric cooperative is setting records in effective rural community development work.

Led by Manager William D. Towers, the entire staff of the Holston Electric Cooperative, Rogersville, participates in a two-county development program, in Hawkins and Hamblen Counties.

Heavy industry has been attracted into the two counties through efforts of an Industrial Development Commission. American-Saint Cobain built a $50 million plate glass plant, employing 300 people; Holliston Mills, a manufacturer of bookbinding materials, employs 150 workers. Fifteen hundred people are employed in the $20 million addition to a fabric manufacturing plant. Most recently a $4 million hosiery mill was constructed. Covering 175,000 square feet, the factory employs 400 people initially and will need 2,000 workers within two years.

This was once a predominantly agricultural region, with an outmigration that was stifling area progress and destroying its economy. Today, the Chamber of Commerce at Rogersville is urging people to move into the community to fill the jobs that are opening. Local residents are proud of a new county hospital and nursing home, a new airport and a new water system.

These community improvements and new businesses are results of local initiative, with leadership provided by the local rural electric cooperative. Efforts to expand the economy in the region continue with new development projects in the works, according to Mr. Towers.

BLUE RIDGE AREA, NORTH CAROLINA

The Blue Ridge Electric Membership Corporation of Lenoir, North Carolina provides an example of "area improvement" on a huge scale. Located in Northwestern North Carolina at the foot of the Appalachian foothills, this co-op's lines extend service over a five-county area once judged one of the worst poverty pockets in the Nation.

In an area development program which began in the mid-fifties, the region has emerged more progressive and economically stable.

Some tangible results of this program, which actually began with cleaning up streets, painting houses and repairing mailboxes, and developed into an 11-county regional project, include:

The heavy migration of the 50's has been checked and reversed.

Each of the 5 counties served by Blue Ridge EMC has made sizable population gains.

In 1968, overall employment was 35 percent greater than in 1962.

Almost 9,000 jobs have been created in the five-county area.

Annual wages rose $40 million in five years.

Agricultural revenue increased 450 percent in a decade, from $15 million to $66 million.

More than 5,000 new homes have been built in the past four years.

Ten of the area's 16 high schools have been constructed since 1960, along with a technical institute and a community college.

The local tax base has more than doubled.

Recreation is now a major industry throughout the area. In one county, more than 500 people are full time recreation activity employees.

More than 40 new motels and hotels have been built; hundreds of campsites, eight golf courses, four ski resorts, and a restored narrow-gauge trainline open the region to tourism.

Watauga County—which in 1960 was rated as one of the nation's poorest—has tripled employment. Its population has gained 11.2 percent since 1960.

Dairying has become a leading Blue Ridge industry. Kraft Cheese buys all C-grade milk, and there are good markets for all grade A products.

Sprague Electric Manufacturing in Ashe County, eight miles from West Jefferson, hired 1200 people; 85 percent of workers are natives of Ashe County.

Hound Deers Lodge, a golf and ski resort at Boone, is very successful. Homes being built in this vicinity range in price from $25,000 to $400,000.

Caldwell Technical Institute in Caldwell County offers work-force training for prospective industries. The Institute will train people for any industry coming into the area. Training is developed to fit the industry. The school now has about 350 pupils per year.

Blue Ridge EMC provided much of the leadership, technical assistance, manpower and facilities to get the five-county area started toward recovery. Co-op personnel, directed by General Manager Cecil E. Viverette, initiated, and led in forming the Northwest North Carolina Development Association, and developed projects to stimulate community pride and local initiative.

Over half of Blue Ridge's 135 employees are actively involved in some phase of community improvement—educational, instructional, recreational, faternal or religious.

A continuous program of locating plant sites, collecting data, and making surveys, is an activity of a Committee on Rural Oriented Industries, formed by Blue Ridge EMC. The Co-op began teaching a course in electricity in area high schools. By instituting a mass purchasing plan for electrical appliances and equipment, the co-op saved its consumers $24,000 last year.

As a result of this activity, Blue Ridge EMC area growth in sales is 19 percent, compared to national REA borrower average of 6.1 percent. Residential power sales grow at the rate of 21 percent per year. The Co-op plans a Dial-A-Message Service for its area. They are opening training schools for brides, contractors, architects, and bankers.

On a widening plane, this community upgrading opens new markets daily for equipment and services, creates new and related job and career opportunities, and helps relieve congestion in urban areas as more and more people move into the Blue Ridge Region.

WARREN RURAL ELECTRIC, BOWLING GREEN, KENTUCKY

A development program which grew out of necessity has brought million dollar industry, population explosion, and economic stability to a formerly depressed rural region of Kentucky.

Water was the major problem. There was one chance in ten that a well driller could hit good water. When water was found, more than 85 percent of it was polluted or contaminated. The destruction by fire of the Auburn, Kentucky, furniture factory, furnished a tragic example of the necessity for a central water system. The main payroll of the area was destroyed. Twenty-eight skilled workers were unemployed. Merchants were affected by loss of the payroll. Unemployment in Auburn jumped eight percent.

Charles M. Stewart, manager of the Warren Rural Electric Cooperative Corporation, Bowling Green, headed an area redevelopment group which could find financing, and help bring in a central water main. REA's Rural Development staff gave technical advice and found financing for a water system. The furniture plant was reconstructed. Today, water is no longer a problem. The water district is sponsored and managed by the Warren RECC.

The furniture company has expanded. A sewer extension was provided. An industrial park has been built. Chrysler Corporation has taken plant space for building all types of commercial air conditioning. Anaconda American Brass Company has moved into the park. Firestone, now employing about 600 people, was first to take advantage of the community upgrading by locating in the area. Mr. Stewart reports that they have reversed the tide of outmigration, and are now importing those who went away seeking work. Area growth is stable and steady.

Rural Electric Co-ops Diversify in Attempt To Keep More Customers Down on the Farm

(By James C. Tanner)

LaFayette, La.—An aggressive new business is beginning to surface in small-town America. It is called a rural electric cooperative.

By name at least, the nonprofit consumer-owned co-ops known as rural electrics are old-timers. Farmers started them in the 1930s with 2% loans from the Rural Electrification Administration. They drove the kerosene lamp from the countryside, only to find that more than bright lights were needed to keep people down on the farm.

But now the rural electrics are making a comeback—by shedding the farmer image and by becoming activists in their communities.

This new approach by the rural electrics has made a homeowner out of Rodney Savoy. The 23-year-old truckdriver from nearby Scott, La., had given up on getting a home loan until he attended one of the meetings on housing being held in this area by Southwest Louisiana Electric Membership Corp., or Slemco, of Lafayette. The co-op steered him to the Farmers Home Administration for financing and told him how to apply. Mr. Savoy now is building a three-bedroom brick house.

Thanks also to Slemco's efforts, a new school for mentally retarded children is being built in the little town of Iota. At the town's request, Slemco helped Iota make a pitch in the Louisiana legislature for the school.

BOOSTS PLANTS, HANDLES HIRING

The Lafayette co-op gets considerable credit, too, for a yarn products plant under construction at Martinville. The plant will provide 1,000 jobs for the area, reports U. J. Gajan, general manager of Slemco. He should know. After helping St. Martinville get the new industry, he sent Slemco staffers to the town to screen job applicants for the plant.

Around the oil fields, rice paddies and crayfish and catfish farms of Cajunland—this French-speaking part of south Louisiana—Slemco is considered somewhat of a swinger. Its annual meeting of consumer-members draws more than 10,000 and is considered one of the biggest fetes of the year in Lafayette.

Slemco isn't a typical co-op. With 38,000 consumer members, it is one of the largest, if not the biggest, in the nation. But its change in emphasis to community development is being shared increasingly by the other rural electrics.

The co-ops are sponsoring and promoting, and in some cases building, new houses, schools, parks, golf courses, swimming pools, hospitals, resorts and factories in the rural areas. Samplings of scores of the nation's 1,000 rural electrics indicate that at least three out of every 10 are involved in such non-power projects in the regions they serve, and the trend appears to be snowballing.

"We've got to make the rural areas more palatable to stop the migration to the cities," says W. V. Thomas, general manager of the Wisconsin state association of rural electrics.

Growing evidence suggests the migration already has stopped and perhaps reversed. With new highways and the clean air of the countryside beckoning, more urbanites are moving to smaller towns and commuting to jobs in the cities. Many others are building weekend and vacation homes in the rural areas. "Everybody wants his five acres in the country," says a Texas co-op official.

Obviously, the rural electrics are beginning to benefit. Nationally, these co-ops have 6.5 million meters linked to their lines and are expected to add at least 150,000 more this year. More than half of the 20 million to 25 million people provided power by the co-ops, based on four persons per meter, already are "non-farm" (electricity users who may live on the farm but don't make their living there), and seven out of eight new customers of the co-ops fall in this category.

The metamorphosis in membership rolls is reflected in part by the changing attitudes of the co-ops. "To say we took the lantern off the farm means nothing to most of our members now," says Ronald J. Knouse, manager of member and community services for Blue Ridge Electric Membership Corp., Lenoir, N.C. He notes that only 10% of Blue Ridge's customers derive most of their income from farming today, versus 90% 25 years ago.

Even so, the so-called investor-owned and municipal power companies are continuing to cut into the territories of the co-ops, leaving many of them only with still-sparsely settled regions. And many of the residents of these regions are among the nation's poorest.

UNIQUELY EQUIPPED CATALYSTS

An estimated 14 million impoverished Americans live in the rural areas. Some 50% of all rural housing is said to be substandard, compared with an estimated 14% in urban America. One South Carolina co-op surveyed just one of its counties and found that 40% of the 7,000 houses had no toilet facilities.

Armed with such evidence, South Carolina's rural electrics are launching "Stand Tall" programs throughout the state to develop jobs and job training and to provide housing, water and sewer systems, schools and recreation for the rural poor. "These are the people who would go on to the slums of the cities if not helped and become dope addicts," says a spokesman for the state's electric cooperatives.

The co-ops have their own interests at heart, of course. J. U. Gajan II, director of power sales for Slemco, notes that the co-ops can increase their electricity loads by improving the lot of their customers. "We're not really looking at it moneywise—it's hell to be poor—but if we can move someone from a $2 a month house to a $5 a month (electric bill) we're helped too," he says.

Whatever the motive, the rural electrics apear to be uniquely equipped to become catalysts for a turnaround in rural America. "The co-ops, usually the largest single business organizations in their communities, have a corporate citizen interest in this whole matter," says Robert D. Partridge, general manager of the National Rural Electric Cooperative Association. "Many millions of future Americans," he adds, "are going to have jobs and live in what are now rural areas. The cities can't absorb them, and the co-ops need these additional consumers to offset their loss of farm consumers."

A PUSH IN HOUSING

Other observers agree. "It's the greatest development idea beyond the city limits," says David A. Hamil, administrator of the Rural Electrification Administration, which still provides financing of around $345 million a year to the co-ops but only for power purposes. And Congressman Wright Patman of Texas told the co-ops at their recent Dallas convention: "Slowly we are making headway in this area, but the rural electric cooperatives must still provide the nucleus of any new efforts to revitalize rural communities."

If anybody's unhappy about the co-ops' expanded activities, in fact, it's mainly the investor-owned utilities who don't get the benefit of low-cost government loans for their power facilities. Utility executives grumble that if they were able to get 2% loans, they, too would have more profits left over for community development activities.

The biggest push by the co-ops is in housing. Their national association lobbied through Congress a liberalization of lending policies as well as additional funds for the Farmers Home Administration. On the home front, the co-ops began vigorously rounding up home-buyer prospects to use up the $1.5 billion the Farmers Home Administration has available this fiscal year.

The result has been a flood of home-loan applications into understaffed FmHA offices. Mills J. Vautrot, assistant county supervisor for the FmHA office in Lafayette, says he is closing twice as many housing loans this year.

Many co-ops have begun helping process loan paperwork for the FHA. A North Carolina rural electric hired an additional man for this purpose. Some co-ops have put on, or at least assigned, as many as four staffers to handle FmHA loans. At Jackson, Ga., the co-op's "Power-Use Organization," wives of consumer-members of Central of Georgia Electric Membership Corp., has made housing its club project this year. "By financing homes for them, we can hold people in the country and keep the poor devils out of the city," says Robert F. Armstrong, manager of the Georgia co-op.

JUST A COINCIDENCE

Some co-ops are going even further on housing. Wisconsin's rural electrics set up a statewide housing cooperative that is using government grants and loans to construct homes for the rural poor. Similarly, at Wilburton, Okla., a nonprofit housing co-op recently established by Kiamichi Electric Cooperative is constructing more than 600 homes for low-income families. It is so coincidental, the co-op says, that the houses are all-electric.

But houses alone aren't enough, the co-ops figure. So they are pressing for some amenities, too.

In Texas, the rural electrics have helped establish several hundred water districts and are involved at the moment in developing LBJ State Park, named after the former President. In New Mexico, electric co-ops rode to the rescue of a narrow-gauge railway abandoned by the Denver & Rio Grande Western Railroad. A resulting two-state joint venture begun by New Mexico's rural electrics has salvaged a 67-mile stretch of scenic route in Colorado and New Mexico. It will be reopened this summer for tourists and narrow-gauge railroad buffs.

Clinton County Electric Cooperative at Breese, Ill., helped establish a junior college at nearby Centralia and then got behind community campaigns to improve medical facilities. One of the co-op's officers headed a financing drive that resulted in a new 100-bed hospital. Now he directs a group that's trying to bring in more doctors and nurses. The organization already has netted one new doctor with its campaign this year.

PLUGGING RURAL VIRGINIA

Jobs are important, too, and that's why the co-ops are hustling for new industries for their areas. Earl J. Shiflet, executive manager of Virginia's statewide association of electric co-operatives, now spends half his time making speeches in the cities to plug the industrial attractions of rural Virginia.

North Carolinas Blue Ridge Electric says it has brought nine industries to its area in the past 12 months. They include textile, woodworking, metalworking and furniture plants and provide 1,200 jobs.

At Medford, Wis., Taylor County Electric Cooperative puts up seed money to get new industries started. It's also keen on airport improvements, perhaps because its 68-year-old manager, Charles W. Berglund Jr., got his pilot's license last November.

Georgia's statewide co-op assocation recently hired an industrial-development specialist who's trying to fill the state's empty buildings with new firms. "Cotton is dead," says a spokesman for the Georgia co-ops, "and there seem to be a lot of vacant warehouses."

Eastern Maine Electric Cooperative parlayed a vacant warehouse, it own, into a thriving new industry for Calais, Maine. The industry, a shirt factory, did so well it has moved into its own new plant. Now the co-op is trying to get someone else to occupy the warehouse, and a winemaker and a paint-brush manufacturer have expressed interest. "This is the grass roots," says Robert V. Clark, manager of the co-op, adding: "If it doesn't start here, it doesn't start."

DEVELOPING COMMUNITY RESOURCES

(Published by the Rural Electrification Administration, September 1970)

Introduction

CHALLENGE OF THE 70'S . . . HELPING RURAL COMMUNITIES GROW

This land of ours is still Growth Country, by any measure. Our population, now around 205 million, is expected to reach 300 million within the next half century. Such growth must anticipate a great expansion of the American economy.

The big question is: will your system, your community be fully prepared to share in America's growth in the 1970's?

Through inaction, some rural communities have failed to share in the past growth of our Nation. Others have shared in the Nation's economic progress by preparing and planning for community progress.

In this publication the Rural Electrification Administration presents recent examples of community development and reports on the community development activities of its electric and telephone borrowers. We also suggest ways through which you might help to develop local community resources in the 1970's.

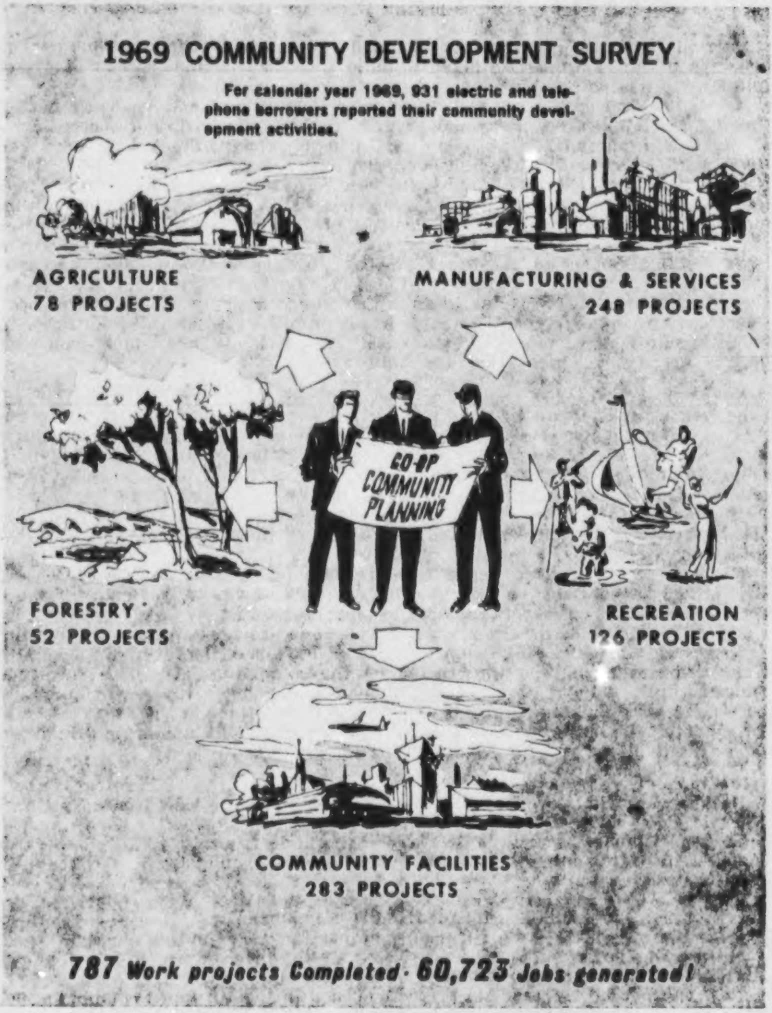
Continuing surveys indicate that almost 4,100 commercial, industrial and community facilities projects were assisted by REA borrowers in the 1960's. Jobs created directly in these undertakings are estimated at 186,000. These helped in creating another 120,000 jobs indirectly, making 306,000 jobs altogether.

Our most recent survey reveals that during 1969 more than half our electric and telephone borrowers assisted in the creation of 60,723 direct and indirect jobs through 645 new and 145 expanded projects. The borrowers also assigned 454 employees to work with 752 community development organizations on a continuing basis.

RET urges its borrowers to participate actively in community development programs. If a planned program is not already underway, borrowers should take the lead in bringing key people of the community together to consider the needs and potential development possibilities. This first effort may be modest, but the experience and the example can stimulate broader participation in further projects.

Your cooperation with other local organizations for community promotion and development is a logical extension of your role in providing electric or telephone service. By adopting specific plans of action—along the lines of those reported in this booklet—and working with local leadership to execute them, the rural electric or telephone system not only affirms its position as a prime driving force in the community, but also helps to assure that the local community will share in the Nation's continuing growth.

DAVID A. HAMIL,
Administrator, Rural Electrification Administration.



1969 COMMUNITY DEVELOPMENT SURVEY

For calendar year 1969, 931 electric and telephone borrowers reported their community development activities.

AGRICULTURE
78 PROJECTS
MANUFACTURING & SERVICES
248 PROJECTS
CO-OP
COMMUNITY
PLANNING
FORESTRY
52 PROJECTS
RECREATION
126 PROJECTS
COMMUNITY FACILITIES
283 PROJECTS

787 Work projects Completed · 60,723 Jobs generated!

COMMUNITY DEVELOPMENT BEGINS WITH ACTIVE LOCAL LEADERSHIP

Every development program has its origin in a simple decision by some person or group that action must be taken to build a better community or area. What follows depends on the tenacity and ingenuity of local leadership.

REA's 1969 survey of borrowers' community development activities also makes a point which appeared in earlier surveys—"if at first you do not succeed, try, try again." In many of the cases appearing in this report, this year's success is the payoff for hard work stretching over several years.

In each of the following examples, the rural electric or telephone system acted in self-interest as well as community interest. An expanding local economy means more electric meters or telephones, hence more revenues for the REA-financed system active in community development. And the "multiplier effect" means that the grand total of jobs and additional wages within the local economy will exceed those directly connected with the actual project.

Study these case stories for ideas which you can apply to your own local situation. Although you may be unable immediately to attract a new business or industry into your service area, you can attempt some project which opens the door to further development including industry.

Arkansas

Directors or employees of the Arkansas Valley Electric Cooperative Corporation, a Ozark, Arkansas, are serving on 16 community and industrial development committees, advisory boards, or on sponsoring civic organizations. This is a factor in 459 new jobs created last year in nine new and four expanded community improvement projects.

The co-op arranged financing, provided development and technical assistance, office space, typing and clerical help for many of these projects, and provides utility service to all.

These projects, begun or expanded since January 1, 1969, include the Ozark Recreation Association, the planning and building of a new golf course, tennis courts, swimming pool, skeet target range, and club house.

A new boat-building firm employs 100. The co-op provides utility service to the Indian Nation Broadcasting Company's new FM radio station. A high school and county library have been constructed on the co-op lines. An office furniture manufacturer employs 44 workers. Two new mobile-home builders employ 300 persons. A wine making plant has expanded its operations in the area.

The latest undertaking reported by the cooperative is a new multi-million dollar family living plan for orphans, "The Johnny Cake Project."

Kentucky

Besides supplying power to 18 member cooperatives, the East Kentucky Rural Electric Cooperative Corporation, Winchester, Kentucky, assists them in community development activities such as locating industrial sites, lining up financing and providing other assistance to new business, industry and community facility projects.

In 1969, the co-op helped establish 11 water districts in 11 counties of its service area. These will account for the direct employment of at least 26 workers.

East Kentucky RECC also helped counties and communities upgrade school facilities. The power supply cooperative either obtained or gave technical assistance in construction of eight all-electric schools or additions.

New commercial recreational projects opened in 1969 included camping areas, cave tours, race car tracks, marinas and golf courses. Five new motels constructed in the last year afford employment to at least 200 local people.

This power supply cooperative provided technical assistance in the development of all-electric subdivisions in five counties. Three new hospitals built in its service area will afford employment for at least 750 people.

Three industrial parks, creating at least 300 jobs directly, have also been established with co-op assisttance. Eight new factories, turning out such products as plastics, furniture, metal and wood products, employing a combined total of at least 1,200 local people, were also constructed in the service area.

Illinois

The Western Illinois Power Cooperative (WIPCO), Jacksonville, Illinois, offers a catalogue of industrial sites and other community information of interest to prospective industries.

WIPCO reports that its community development department, formed late in 1968, was instrumental in the locating of two area industries, and in the development of two recreation parks, with three more parks in the planning stage.

The cooperative has led in forming four community development corporations, and it works closely with three other development groups. WIPCO made a survey of its 19-county service area and developed profiles on the area's resources, labor force and community facilities. They have made aerial photographs and provided information on 25 prime industrial sites in the WIPCO service area. WIPCO also assisted in development of a junior college, and improved highways in the region.

A plastic moulding company employs 25 local workers and a manufacturer of plastic bags has hired 50 area people. Two camp and recreational projects provide jobs for seven more.

Tennessee

The Loretto Telephone Company, Loretto, Tennessee, has aided in developing an annual Davy Crockett Pageant which will increase tourism in the area each summer. More than 100 new jobs will be directly created by this project.

Maine

The Somerset Telephone Company, North Anson, Maine, assisted in establishing the Baxter Electronics Company. The telephone company provided plant design, technical assistance and a site for the firm which has hired 25 local people.

Nebraska

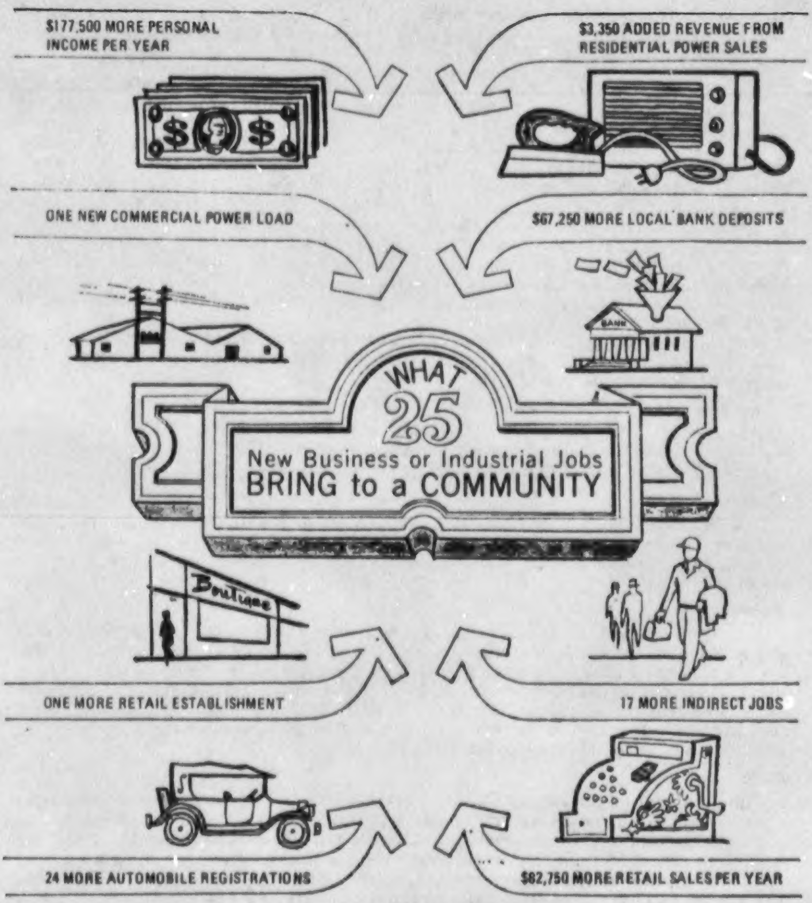
Measured against the communications industry giants, Clarks Telephone Company of Clarks is small business. That's why it tries harder to grow by helping its town grow. In 1969 the company helped the town gain a new manufacturing plant (loaders, hydraulically-operated lifts and allied equipment). The town's only restaurant also expanded with a supper club addition and one-half block parking area. The two enterprises provide 20 new jobs, a substantial shot in the arm for a village of 450 population.

Utah

The president of the Emery County Farmers Union Telephone Association, Inc., Orangeville, Utah, is a director of the Eastern Utah Development Corporation. Another director serves as president of two economic development districts. The co-op has arranged financing, secured development assistance, provided an industrial site, as well as lending office space, clerical and other assistance, to establish the American Diversified Industries in Emery County. This new industry provides jobs for 60 local people.

Georgia

Georgia State Telephone Co., Claxton, works with the Georgia Southern Area Planning Commission on several projects, including food and fiber processing, recreational facilities, zoning and surveys for water and sewer service. Plans are being developed for a 20,000-acre lake which will form when Groveland Dam in Effingham County is completed in 1975. Fifty new jobs have been created in Clinch County by the Standard Container Can Company. The REA-financed telephone company provided management and planning assistance for the new Clinch County Hospital, and is providing development assistance for the Glenville Housing Project of 100 low-rent housing units.


$177,500 MORE PERSONAL INCOME PER YEAR
$3,350 ADDED REVENUE FROM RESIDENTIAL POWER SALES
ONE NEW COMMERCIAL POWER LOAD
$67,250 MORE LOCAL BANK DEPOSITS
BANK
WHAT 25 New Business or Industrial Jobs BRING to a COMMUNITY
Boutique
ONE MORE RETAIL ESTABLISHMENT
17 MORE INDIRECT JOBS
24 MORE AUTOMOBILE REGISTRATIONS
$82,750 MORE RETAIL SALES PER YEAR

HERE'S HOW IN COMMUNITY DEVELOPMENT

Community development must aim toward realizing the full potential of a community or area, whether that potential is large or small. Any upgrading of area conditions improves the local economy. This builds stable and prosperous rural communities. Increased utilization of electric and telephone systems facilities follows. Everybody wins.

Local development programs succeed only where there is aggressive local leadership. Electric or telephone systems can provide this kind of leadership. Community development should be locally initiated, locally directed, with full local involvement. The proper role of state and federal agencies is to help local groups by providing technical and financial assistance when requested.

Where utility leadership and involvement in local economic development fails, idle electric and telephone services affect the economic health of the whole area.

Addition of one small-to-medium-sized business to co-op lines can help offset economic lag. It can slow migration of young people, and trigger upward spirals of direct and fringe benefits. Increased revenues come from the commercial load itself, from families of its employees, from additional businesses and services generated in the community, and from an improved tax base. And this is only the beginning.

Effective community development programs are planned and conducted in a systematic way. They are continually evaluated. Co-op management keeps in touch with its total community. It knows everything going on which might affect service territory welfare. It learns what is on the planning boards as well as what activities are being currently promoted.

In order to carry out a program like this, it is imperative that you work with local chambers of commerce, business and trade associations, industrial development corporations, labor organizations, and local representatives of Federal and State development agencies. Manpower and resources are available to make community development work, but only enthusiastic and vigorous local leadership can fuse public and private groups into a dynamic force, inspire a community and ignite its ambitions. You must help educate the people of your community regarding the need for community development and what it takes to carry out such a program. It is necessary to stress that helping in community development is a sign of "good citizenship."

Local leadership must continually appraise and evaluate its program through:
—identifying needs, problems and opportunities.
—selecting priority projects.
—planning action programs.
—implementing specific projects.

check list

COMMUNITY DEVELOPMENT BEGINS WHEN YOU TAKE ANY ONE OF THESE STEPS,

WHAT ABOUT COMMUNITY NEEDS?

UTILITIES	TRANSPORTATION	CULTURE	RECREATION
Electric Power	Highways	Churches	Parks
Telephones	Airport		Golf
Water	Rail	Library	Swimming; Boating
Sewers	Water		Camping; Fishing
Fire & Police	Bus	Entertainment fac.	Hiking; Sightseeing

...IMPROVING EDUCATION?

FACILITIES	BASIC	EXPANDED
Repair & Modernize	Quality of Teaching	Day Care Center
Community Center	Consolidated High	Remedial
Planning for growth	Vocational	Adult Night Classes
Year Round Operation	Community College	Technical

FIND ANSWERS TO ANY ONE OF THESE QUESTIONS . . . .

. . .BUILDING CIVIC SPIRIT?

TOWN APPEARANCE	HEALTH	HOUSING	WATER
Paint & Repair Homes & Stores	Area Doctors	New Residential Areas	Central
Clean & Tend Yards & Walks	Community Nurse	New Construction	Clean
Repair & Paint Mail Boxes	Community Clinic	Grants for Rural Poor	Plentiful
Streets—Lighted Paved	Area Hospital	Repairs	Treated

. . .USING RESOURCES?

NATURAL	FINANCIAL	PEOPLE	DEVELOPMENT
Process Locally	Local-Stocks-Bonds	Employ Youth at Home	Co-op Full-Time Community Dev. Spec.
Preserve Quality	County or State	Utilize ELDERLY	Participate Regional Dev. Programs
Conserve—Renew	Federal-Grants Loans, Subsidies	Train in New Skills	Create or Develop Tourist Attractions
Develop NEW Uses	Commercial Loans	Better Living for All .	Food & Lodging Fac.

HOW MANY STEPS HAS YOUR CO-OP TAKEN?

HOW ARKANSAS CARRIES OUT COMMUNITY DEVELOPMENT

The Arkansas Electric Cooperatives, Inc., expanded its Industrial and Area Development Program in October 1969. AECI's purpose: to augment the efforts of state agencies and others in developing Arkansas resources. AECI focuses on towns, small cities and open countryside communities, as good locations for industry.

To help the individual electric distribution cooperatives which have long been involved in community development activities, AECI employed a professional coordinator at the statewide organization level to permit economy of scale by a sharing of costs among participating distribution systems. Further, location in the statewide headquarters in the capital city permits the coordinator's office to become the focal point of contact for all rural electric cooperatives and all agencies involved in industrial and area development.

Initially, the AECI-coordinated industrial development program is concentrating on educational and promotional activities. These include joint dinner meetings with the Director of the Arkansas Industrial Development Commission and his professional staff; the State Director of the Farmers Home Administration, his directors and field representatives; the Director of the State Extension Service and members of his professional staff; and the Assistant Commissioner of Education for Vocational-Technical and Adult Education and his principal staff members. Another important facet of the AECI program is the direct-mail campaign using a color brochure presenting Arkansas' attractive features for industry. This was sent to over 1,000 industrial realtors, 50 industrial consultants, some 100 investing and banking firms, and more than 500 selected industrialists, and was accompanied by a personal letter inviting inspection of Arkansas and offering assistance in location analysis. The emphasis is toward branch plants of new and expanding industries.

AECI offers a wide range of services: finding locations for industrial tracts, assisting in obtaining federal and state assistance, and preparing professional profiles for smaller communities lacking means to employ professional help. In its first seven months the AECI coordinators office made studies in response to more than 20 potential industrial inquiries, with one-fourth of these offering good prospects for the recommended location.

The coordinator also prepares informational materials for use by rural electric cooperatives in their own community development activities.

COMMERCIAL AND INDUSTRIAL LOADS . . . ANOTHER MEASURE of PROGRESS

Commercial and industrial loads are being added to the lines of rural electric systems at a rate of more than 10,000 a year. Such users double their kilowatthour consumption of electricity every five years, compared with eight years for residential users.

COMMERCIAL and INDUSTRIAL, LARGE and SMALL

Year	KWH (in thousands)	Percent of total
1961	6,584,126	23.9
1962	7,323,772	24.3
1963	8,287,670	25.0
1964	9,768,516	26.1
1965	10,925,016	26.9
1966	12,355,764	27.4
1967	13,630,632	27.7
1968	15,160,548	27.7
1969	16,798,103	27.8

Average Annual Growth Rate 1961-1969: 20.9 percent

Industrial and Commercial uses of electricity Stimulate Community Development

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 20, 1971.

Hon. HUBERT H. HUMPHREY,
Chairman, Subcommittee on Rural Development, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HUMPHREY: This is in further response to your inquiry regarding question 83 of the 52 page list of 286 questions sent to us from your office on May 25. We understand this completes the set of answers.

Question 83: "Does the Hatch Act apply against State employees whose salaries are paid in whole or in part by rural revenue sharing funds? to employees of local public works and community facilities and services that are assisted by rural revenue sharing funds? to employees and officers of private proprietorships, partnerships and corporations that are assisted with rural revenue sharing funds? Will these matters be the subject of some of the rules, regulations and standards that the Secretary of Agriculture will prescribe?"

Answer: The Hatch Act applies to employees of a State or local agency "whose principal employment is in connection with an activity which is financed in whole or in part by loans or grants made by the United States or a Federal agency . . ." (5 U.S.C. 1501 (4)). The essental question, therefore, is whether the funds to be received by the States under the bill are to be considered "loans or grants" within the meaning of the Hatch Act. It is the view of the General Counsel of the Civil Service Commission that the funds to be made available to the States under S. 1612 would be grants within the meaning of the Hatch Act, and that the political activity restrictions would apply to State employees whose work is funded under S. 1612 if the other requisites for coverage exist. We reach the same conclusion with respect to employees of local public works and community facilities and services that are assisted by rural revenue sharing funds.

However, the Hatch Act would not apply to employees or officers of private proprietorships, partnerships, or corporations that receive rural revenue sharing funds, for the reason that the political activity statute applies only to governmental employees; that is, "employees of a State or local agency." 5 U.S.C. 1501 (2). Specific provision would be required if employees of those private agencies were to be covered by the Hatch Act.

Since the Hatch Act is enforced by the Civil Service Commission, which has authority to issue regulations (5 U.S.C. 1302 (d)) to carry out the purposes of that statute as it applies to State or local employees, it would not be necessary for the Secretary of Agriculture to prescribe rules and regulations or standards in this area. It is noted that S. 1612 has no specific provision applying the Hatch Act to employees whose agencies receive funds under the Act. Indeed, there is no express provision that denominates the funds allocated to the States as "grants."

It would be desirable, of course, in legislation like S. 1612 to include language in the bill that would be a clear expression of the intent of Congress respecting the application of the Hatch Act.

We appreciated the opportunity to appear before your subcommittee and discuss rural revenue sharing and other rural development programs. Your efforts in studying the rural revenue sharing program and its effects on rural America indicate to us that the subcommittee will give the rural revenue sharing bill earnest and favorable consideration.

Sincerely,

THOMAS K. COWDEN,
Assistant Secretary.

OFFICE OF THE SECRETARY OF TRANSPORTATION,
Washington, D.C., August 19, 1971.

Hon. HUBERT H. HUMPHREY,
Chairman, Rural Development Subcommittee, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HUMPHREY: Following the April 1971 hearings of your Committee on the President's proposal for Rural Community Development Revenue Sharing, you submitted to the Department of Agriculture a number of questions to complete the record of the hearings.

The Department of Agriculture subsequently referred to us several of your questions pertaining to transportation programs and requested that we forward our replies directly to your office. Please find enclosed our responses to those questions.

Sincerely,

JOHN P. OLSSON.

(The enclosures are as follows:)

**43. Highway beautification, if it occurs at all, is usually done in rural areas: charged to rural revenue sharing funds?
is there provisions to pay for such work out of highway funds or are they to be**

A. Both Rural Revenue Sharing and Transportation Revenue Sharing would allow expenditures for highway beautification. The 1972 program level for Trans-

portation Revenue Sharing includes the $66 million included in the President's 1972 budget for highway beauty grants. The decision to conduct highway beauty programs would, of course, be made at the State and local levels under revenue sharing.

45. Are there any provisions to encourage or promote the use of highway revenue sharing funds for improved farm-to-market roads or to construct "developmental highways" and "access roads" in rural areas as a means of encouraging a greater rate of rural industrialization? Or would needed funds for "developmental highways" and "access roads" in rural areas have to be taken by the States from rural revenue sharing funds?

A. The basic concept of revenue sharing is to provide State and local communities with more flexibility in deciding how to spend their shared revenues. Funds for "developmental highways" and "access roads" in rural areas could be obtained from both the Rural Revenue Sharing program and from the Transportation Revenue Sharing program. Under the former, projects would have to directly benefit rural residents. Under the latter, funds would be available at both the State and local levels for providing improved farm-to-market roads or for providing upgraded transportation facilities in rural areas. The amounts of money available to each State will be equal to or greater than what could have been expected under existing categorical grant programs.

47. Since the requirement for State matching of Federal funds for secondary highways would be eliminated in the highway revenue sharing proposals, what is your estimate of the extent to which States might reduce their total expenditures on local highways needed by local residents of rural areas as distinct from the large interstate highway system that requires only 10 percent State matching funds and is not included in the revenue sharing proposals.

A. Under Transportation Revenue Sharing we would expect that State and local expenditures for local highways in rural areas would be continued at least at the same level as under the existing Federal-Aid Highway program. The States have a considerable backlog of these types of projects, and will in all probability continue to fund them both from Transportation Revenue Sharing funds and from State and local contributions. The amount of money available to the States for non-Interstate highway projects will be at least as great as they now receive under the non-Interstate portion of the Federal-Aid Highway program.

127. How in your opinion will adoption of the rural revenue sharing proposal affect the need for appropriations under the airport grant program for cargo freight and other airports in rural areas?

A. The adoption of the Rural Revenue Sharing proposal would have no effect on the airport grant program which is currently authorized under the Airport and Airway Development Act of 1970. The airport grant portion of that Act will be incorporated into Transportation Revenue Sharing, and it will therefore cease to exist as a separate categorical grant program. States and local communities will then determine their own needs and priorities for the constuction and improvement of airports. Funds would be available to support these projects from either Transportation Revenue Sharing or from Rural Revenue Sharing provided, in the latter case, that they directly benefit rural residents.

135. May Rural Revenue Sharing funds be used to improve freight truck routes, service, and rates to enable truck companies to make an even larger contribution to development and profits of private enterprise in rural areas? Please explain. Will the services of the Department of Transportation rate specialists be available to assist non-farm residents of rural areas of States in this matter? Are they now or are such services available only with respect to movement of farm commodities? Or could this activity make and report on a comprehensive study of the effect of freight rate schedules on rural development?

A. Yes, Rural Revenue Sharing funds may be used for the purposes mentioned in the first part of this question, as long as they directly benefit rural residents. Regarding the rest of the question, the Department of Transportation has no "rate specialists" available to assist non-farm residents of rural areas in these matters. The Department of Transportation does conduct general analyses of freight rates on a nationwide basis, but prime responsibility in such matters would rest with the Interstate Commerce Commission as it does now.

STATE OF INDIANA,
DEPARTMENT OF COMMERCE,
Indianapolis, Ind., July 1, 1971.

Hon. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: The attached publications are being provided you at the request of Governor Edgar D. Whitcomb. They will provide data of interest to your Rural Development Subcommittee.

Our State Planning program addresses priorities to the achievement of the Rural-Urban Balance for Indiana's economy. We are certain that such a "balance" must be maintained and that this, too, should be a primary goal of the National growth policy.

Sincerely yours,

T. W. SCHULENBERG,
Director, Division of Planning.

(The attachments are as follows:)

INDIANA—ITS DEVELOPMENT POTENTIAL

In the next two decades the population of Indiana will increase by thirty-six percent, to a total of over 7.2 million. Their prospects, and those of their children, will be enhanced by the accelerated planning and development for economic growth which the Department of Commerce has undertaken. Our experience, like that of other states, demonstrates the wisdom of combining federal, state, and local resources in a partnership endeavor to make a coordinated attack on a wide range of social, economic, and environmental problems.

The following brief report is a condensation of the first of a series of economic development studies for the State of Indiana. From a beginning of determining our needs and resources we want to continue to move forward to our goals and objectives—the opportunity for a balance between our rural and urban areas and an abundant and rewarding life for all the people of Indiana.

RICHARD E. FOLZ,
Lieutenant Governor, State of Indiana.

The economic structure of the State of Indiana has been frequently examined and diagnosed. The state is predominantly a manufacturer and has experienced great gains in this sector over the past three decades. It also maintains its place as one of the nation's leading agricultural producers, with a steady growth in production throughout the last half-century. Indiana possesses great potential for economic growth. To best develop this potential, each region of the state must be examined individually to determine the best methods for developing the region's potentials and for utilizing the resources of that area in the state's development strategy.

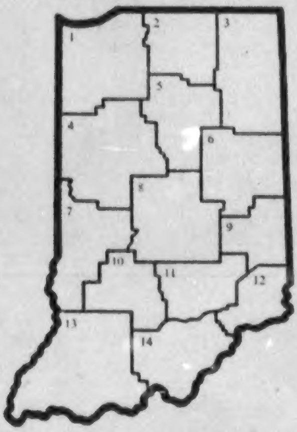
This study was undertaken to identify the forces in each region which relate to its economic growth potential. Specific deterrents to regional development will be examined and policy, legislation, and other actions to alleviate or eliminate problems will be recommended.

For planning purposes, the state has been divided into fourteen development regions. These regions were established by executive order in 1968 and are used as study areas in the following economic analysis.

GEOGRAPHIC LOCATION

Indiana is favorably located in the center of Mid-America's great manufacturing belt. It is also ideally located between two developing megalopolises—the Milwaukee-Chicago-Detroit-Buffalo corridor and the Evansville-Louisville-Cincinnati-Pittsburgh corridor. The urbanization, population, market structure, and industries of these areas act as concentrating forces of development in Indiana. Secondary forces which facilitate the growth of these areas are the highly developed transportation networks. It is these exogenous forces together with Indiana's key geographic location that give the state competitive advantages in developing its economic potential.

Planning and development regions



Regions	Urban centers
1	Gary—East Chicago—Hammond
2	South Bend—Elkhart
3	Fort Wayne
4	Lafayette
5	Kokomo
6	Anderson—Muncie—Marion
7	Terre Haute
8	Indianapolis
9	Richmond
10	Bloomington
11	Columbus
12	Madison
13	Evansville
14	New Albany

POPULATION

Indiana's economic development potential is clearly indicated by its rapid growth and projections for future growth. The population of Indiana is predicted to grow from 5,143,422 persons in 1970 to approximately 7,255,200 by 1990, a 36 percent increase in population for the twenty year period. Regions 1, 2, 3, 8, and 11 are expected to increase more rapidly than the state average. The smallest percentage increase is expected to occur in Region 7, the Terre Haute region.

The population of Indiana is becoming more urban; 51 percent of its population lived in urban places in 1970, compared to only 47 percent in 1960. All but three regions (regions 10, 11, and 12) have over half their population in urban areas. In the last decade the greatest population growth was in the larger urban centers, those of over 50,000 population.

MIGRATION AND COMMUTING

Indiana's population is highly mobile. There has been a marked increase in the migration of the young from rural Indiana. The result is the loss of a vital human resource in the rural areas and in particular in Southern Indiana. Migration into the urban industrial centers accounts for a significant part of the population growth in Northern Indiana.

NET MIGRATION 1950–60 (BY AGE GROUPS)

Region	Ages 20 to 24	Ages 25 to 29
7	−1, 357	−3, 667
9	−2, 361	−1, 248
10	+2, 313	−1, 979
11	−965	+154
12	−1, 257	−846
13	−9, 016	−5, 835
14	−2, 514	−268
Total	−15, 145	−13, 689

A study of the labor force in 1960 revealed that approximately 10 percent of the 1,793,207 persons employed commuted to work outside of their county of residence. Most commuting was by workers employed in large urban centers such as Indianapolis.

In New Albany area, Region 14, experienced heavy commuting to the Louisville, Kentucky area. The lack of local employment opportunities contributes to these time consuming and costly journeys to work.

EDUCATION

The drain of rural Indiana's human resources is also reflected in the level of educational attainment as the better educated move to the industrial and commercial centers. For example, persons residing in Southern Indiana have completed an average of only 9+ years of schooling as compared with 11+ years for all urban areas. The Indianapolis metropolitan area residents had an average of 12.2 years of schooling. Outstanding anomalies in the predominately rural half of the state are the high percentages of Monroe and Bartholomew County residents having completed an average 12 years of formal education. The migration to urban areas of those having completed secondary and college educations is a serious impediment to an area's growth. Expanded local job opportunities for a wide range of skills and training are needed to retain the area's labor pool.

THE RURAL LABOR SUPPLY

Unemployment in 1970 was high in the southern counties. Yet the large number of workers commuting from the rural areas indicates that the area does have a large and skilled labor force. Industry must become more aware of this labor resource. The counties in Southern Indiana with persistent unemployment have available certain federal aid for development including aid under the Public Works and Economic Development Act of 1965. Several development projects have been undertaken under the various federal aid programs.

More intensive promotion of light industry in Southern Indiana would stem the out-flow of the young, educated labor force. This would also alleviate some problems associated with the heavy concentration of population in Northern Indiana. The development of light industry would also help diversify and stabilize the overall state economy now greatly dependent upon heavy durable goods manufacturing.

The environmental amenities of Southern Indiana and the attendant higher job-satisfaction are positive factors in attracting industry to the area. The lower cost of living is also a strong inducement for industrial location there.

UPGRADING THE LABOR FORCE

Modern industry and technology require a skilled, well-trained labor force. The quality of Indiana's labor force must continue to be upgraded. A study of 1969 Indiana high school graduates found that only 11 percent intended to enroll in vocational or technical institutes. Training programs must be expanded and made available to all those desiring technical and vocational training.

TOURISM AND RECREATION

Two industries which have great potential for development in Indiana are tourism and recreation. Picturesque and scenic Southern Indiana has this unique potential. Already the location of many of the state parks, forests, game areas, and other tourist attractions, this area is ideally situated to meet the growing market demand for public and private recreation. With easy access from four major metropolitan areas (Indianapolis, Evansville, Louisville, and Cincinnati), the area has strategic locational advantages over other areas of the state.

The development of the tourism and recreation industries would help diversify the economic activity and growth of the state. In addition to increased employment in the tourist industry, it would also foster growth in service-oriented industries—hotels, motels, restaurants, and related tertiary activities.

It was estimated that for the year 1966, Indiana captured only 2.3 percent of the total national expenditures of the travelling public. Because of its natural assets, proximity to large urban centers, and a highly developed transportation network, Indiana has a great opportunity for capturing a greater percentage of national expenditures for recreational travel.

Although tourism makes a significant contribution to the economy and has further potential, toher opportunities for development should not be overlooked. In an order of priorities for the use of resources, investments in manufacturing may have higher rates of return. An overall economic development plan is essential to determine state priorities.

EMPLOYMENT

The process of economic development in Indiana may be characterized generally by a decline in the relative importance of the agricultural sector and an increase in the manufacturing and service sectors. Despite natural advantages favoring growth of the agricultural sector, during the past century Indiana has followed the lead of other developing regions by devoting an ever larger share of the work force to manufacturing and service occupations while agricultural employment has declined to less than 10 percent of the total labor force. A comparison of the composition of employment for Indiana and for the nation is shown in the accompanying figure. The persons classified as agricultural labor include those workers engaged in farming, forestry, and fishing. Production employment consists of persons engaged in manufacturing, construction, and mining. The service sector includes workers in government, transportation, distribution, communications, finance, and educational activities.

Between 1958–1969, total employment in Indiana increased by 29.1 percent. The only major declines in employment were in the years 1961 and 1968. Over the twelve year period, the north central regions, Regions 2, 3, 5, and 10, increased at a greater rate than the state average. The most striking increase in employment was found in the Bloomington region with a 74.3 percent increase.

State employment projections for 1985 indicate an increase of nearly 17 percent for the state over 1970. Regions with substantial projected percentage increases in employment will be 5, 10, 11, and 13. Northeastern Regions 3, 6, 8, and 9 will parallel the growth in statewide employment, while the remaining regions will be expected to increase in employment, but at a lower rate than the state as a whole. Employment projections for 1985 generally indicate that there will be above average increases in employment for regions in the northern part of the state, while the southern regions will increase more slowly.

In 1967, approximately 50 percent of the state's total labor force was employed in manufacturing. The state's total employment and employment in manufacturing are growing at slightly higher rates than that of the nation. Indiana's preeminence in heavy manufacturing is demonstrated in the continued specialization in this area. Manufacturing employment increased by 10.6 percent in the period 1958–1963 and by 16.4 percent between 1963–1968.

In 1966, 77 percent of Indiana's total manufacturing employment was in the production of durable goods. This was considerable higher than the 59 percent employment found in durable manufacturing for the entire nation.

The state's specialization in heavy manufacturing was also reflected by new employment created by new and expanding firms. These new jobs were mostly created in the regions already supporting large manufacturing employment. The counties of Lake, St. Joseph, Elkhart, and Marion captured about 30 percent of all new jobs created by new or expanding industries in the years between 1958 and 1967.

The regions with the largest manufacturing employment, ranked in descending order, are Indianapolis, Gary-Hammond, Muncie-Anderson, South Bend, and Fort Wayne.

Indiana industries with higher growth rates than those found in the East North Central Region of the United States and the nation as a whole were primary metals, transportation equipment, and electrical and non-electrical machinery. These industries were also the largest employers in Indiana. The largest losses in employment in Indiana were in the nondurable categories of food and kindred products and in petroleum refining.

It is interesting to note that transportation equipment and electrical and non-electrical machinery manufacturing are not only fast growing industries producing jobs at a high rate but have the highest productivity rates. Indiana's position as one of the nation's major producers of transportation equipment and electrical machinery has benefited from the rapid growth in these industries. The loss of employment in such categories as food processing, while serious, has had less impact on Indiana's economy. Highly automated, the food processing industry produces jobs at a relatively slow rate and has a low rate of productivity.

The lesser importance of the service sector and the concentration of manufacturing employment in basic industries has special implications for the Indiana economy. Because the more basic manufacturing industries are subject to wider fluctuations in production and employment than, for instance, the soft goods and service industries, Indiana's economy can be expected to out-perform the rest of the nation during periods of economic boom and lag behind the national average during periods of recessions. This more volatile performance is reflected in the comparison of unemployment in Indiana and the nation in the accompanying chart. Even the moderate slowdown in the national economy in 1967 was associated with a sharp rise in the Indiana unemployment rate while the national rate increased only moderately.

PER CAPITA PERSONAL INCOME

Between 1950 and 1966, per capita personal income for the United States increased 97 percent from about $1,500 to $2,963. For the same period, per capita income in Indiana increased by 103 percent, or from $1,512 in 1950 to $3,076 in 1966. Indiana's percentage increase was considerably higher than the 94 percent increase found for the East North Central States of the United States.

The projected 1985 per capita personal income for Indiana indicates that the more highly urbanized and industrialized regions will have the highest per capita incomes. Generally, the regions in Northern Indiana will be expected to have per capita personal incomes (in constant dollars, 1957–59=100) above $5,000 while the southern regions will be slightly higher than $4,000. Region 2, the South Bend-Elkhart Region, is expected to register the highest increase in per capita personal incomes.

NEW DEVELOPMENT SITES

The need for economic development to provide employment opportunities throughout the state has been demonstrated. The often inordinate concentration of industry in already congested urban areas; the long journeys to work; lack of employment opportunities; inadequate tax base; and paucity of public services and facilities in several regions are all manifestations of the imbalance of the present development.

New centers must be developed that will attract industry, centers where all necessary facilities, services and amenities can be provided in advance of need. These centers may take two forms: the development of new towns, complete self-contained communities in which the people live, work and play; or growth centers, where a major employment center would be developed around an existing viable center in each region. Each approach has certain advantages and disadvantages; both would be useful.

NEW TOWNS

New towns offer a well-planned urban environment, are largely self-contained entities, and are socially and economically balanced. However, they require large acreages of land, vast amounts of capital, and are complex undertakings. Yet, from experience here and abroad, well-planned new towns offer the ultimate in urban living and are highly attractive to industry.

The impetus for new towns is a product of urban change, population growth, and the rapidity of growth itself. In Indiana, the rapid expansion of the major urban centers has created a crisis of unprecedented magnitude. Largely without comprehensive planning and development policies until the last two decades, rapid growth has overtaxed the communities' ability to deal with many of their problems. Confronted with the need to replace an obsolete physical plant, limited resources, and myriad problems that spill over a multiplicity of governmental jurisdictions, further growth of these metropolitan areas will only compound the problems to be solved.

New towns within the metropolitan regions offer a solution to uncontrolled growth and overspill. Self-contained socially and economically but within the metropolitan sphere, they offer a means of planned urban growth and economic development. Possible sites include federal military lands that may be released as surplus.

Federal funds are available under the New Communities Act of 1968 for new town construction. New communities legislation has been introduced in some states. The Pennsylvania legislation authorizes purchase by the state of securities and obligations from developers of new communities, including private companies, at a nominal interest rate. State money can be used by developers as their share to qualify for federal programs. If the new town approach is to be used in Indiana, there is need for similar legislation allowing the new town approach in existing governmental jurisdictions.

GROWTH CENTERS

A growth center strategy could be developed with the independent industrial counties as growth areas. The growth center concept is the concentration of development resources in one urban center, generally a medium-sized city, to stimulate the social, economic, and physical growth of that center and its hinterland. The development of this strategy would then provide a major employment center for residents of each region, and help distribute jobs, people, and wealth throughout the state. It would provide a means of balancing the economic development of the state.

Implicit in this strategy is the need for a rural-urban balance; the most effective approach is through regional planning. A planning program for a region would include, among other elements: a survey and inventory of the region's resources; analysis and projection of needs; proposed plans for physical, social and economic development; and the recommended tools for implementation of the plan.

In implementing the economic development program, the state should consider both new towns and growth centers as effective means of containing new urban growth and stimulating economic development. State enabling legislation will be required to support this effort.

LAND PLANNING AND CONSTRAINTS ON DEVELOPMENT

Constraints on developing certain areas of the state are indicated on the accompanying map. For example, an adequate supply of ground water is a critical problem for future development in large portions of Southern Indiana. If there is to be economic growth in this area, it is imperative that additional water reservoirs be constructed. Soil characteristics and the slope of land are additional controlling factors where land development must use on-site individual sewage treatment systems. The map shows those areas in rural Indiana where the use of septic systems require careful study. Because of the natural limitations, land-use planning and control is necessary to guide development in the most effective and efficient manner.

In the planning process, soil surveys can determine the best agricultural use of land, be it either for cropland, pastureland, or woodland. The surveys will also indicate the limitation of the land for urban uses, recreation, and wildlife. The engineering properties, physical and chemical properties of the soils as they effect development, can be determined. These studies can assure the most productive use of land and preclude the utilization of land unsuitable for urban development, which may then be placed, for example, in conservation zones. Lands subject to frequent flooding, having steep slopes, or with unique scenic value would be protected from development and used for recreation, wildlife refuges, parkways, or other non-urban uses. Land uniquely suited for housing, industrial development, or other urban-type uses would, in turn, be protected from the encroachment of incompatible uses. This would permit the economical provision of public services and facilities. The land would be reserved for future development as needed.

Based on projected land needs, reflecting the highest and best use of land, plans indicating the future use of all land should be prepared for each region, taking into consideration both rural and urban needs.

Within this framework, future development should be viewed and appropriate control measures taken to implement the plan. Only in this way can the best use of land be assured and a balance struck between requirements for both rural and urban development.

TO MAINTAIN AND EXPAND THE ECONOMY

From the broad perspective, Indiana is an integral part of the national economic system; so viewed, it possesses great potential for further development. But if Indiana is to maintain and expand this dynamic role, it is imperative that its basic industries—those industries exporting to out-of-state markets—be expanded.

If the inputs and outputs of the Indiana economic system are not further developed, the economy will become static and eventually stagnate.

An example of the state's creative development policy was the construction of Burn's Harbor. As a port for ocean- and lake-going vessels it has created new jobs, generated new tax revenues, and provided needed commercial transportation benefits. Estimates indicate that when the port is fully developed between 800–1000 new jobs will have been created. The state will benefit from the personal income tax generated and the property tax from the industries drawn to the area.

With the cheap water transportation afforded and the provision of direct access to foreign and domestic ports, Burn's Harbor gives Indiana a competitive advantage in attracting new industry. New and expanded ports are also needed on the Ohio River. With the completion in 1975 of the dam at Uniontown, the normal pool level at Mt. Vernon will be raised eleven feet, resulting in more efficient operation of barge tows and terminal operations because of the wider, deeper, and more stable pool. Planning and promotion should start now to develop the river ports and adjacent industrial sites to their greatest potential. Active development of commerce along the Ohio shore will be a strong stimulus to economic development in Southern Indiana.

Other modes of transportation must also be expanded and improved. They will act as complementary forces in the overall development of an efficient transportation system. Selected air transportation facilities throughout the state must be expanded. Airports capable of handling light corporate aircraft, including jets, are becoming increasingly more important as a prime factor in industrial location. Jet ports are required to serve the large metropolitan areas of the state.

Highways, railroads, and rapid transit facilities must continue to be improved and extended. A comprehensive state transportation plan is needed to integrate all modes of transportation into a unified system with adequate facilities and services to meet future needs. By the direction of the Governor, the Department of Commerce's Division of Planning has been designated the coordinating agency for the preparation of Indiana's first comprehensive transportation plan. When completed, the plan will become a part of the National Transportation Plan.

MONEY FOR DEVELOPMENT

To develop Indiana's economic potential and to stimulate economic growth, the availability of money at reasonable interest rates is a critical factor. There are several state and federal programs designed to assist communities, business, and industry in Indiana. The state programs are:

Industrial Development Fund

A $2 million revolving loan fund for industrial development purposes is available to municipalities to provide emergency services to new or expending industries. However, the relatively small fund, low interest rate, and slow turnover of capital have limited the usefulness of the fund. It has been suggested that the Act be revised, the fund be increased to $20 million, and the interest rate increased. This would make the fund more effective by spreading its assistance among more communities throughout the state.

Economic Development Authority

The authority was created in 1965 with a funding of $1 million. The loan guarantee fund is used to assure mortgage loans to industrial firms by private financial institutions. The Act is similar to the acts in other states, but the fund is among the smallest.

Municipal Economic Development Commissions

In 1965, the General Assembly authorized Indiana communities to establish Economic Development Commissions for the purpose of issuing municipal revenue bonds to be used for the construction and leasing of industrial property. While certain restrictions and limitations have limited the use of municipal industrial revenue bonds, it provides an important tool for industrial development. In 1970, the United States Congress removed industrial revenue bond financing from control of the Securities and Exchange Commission, removing one obstacle to the issuance of the bonds. This could be one of the most significant incentives to industrial development in Indiana.

Development Credit Corporations

These corporations were authorized in 1961, but none have been formed in Indiana. Typically, a corporation is formed by private individuals, and a capital base is established through the sale of stock. The corporations' major funds, however, come through loans from member financial institutions. The result is a pooling of funds by financial institutions for the purpose of making loans to new or expanding firms. These are often high-risk loans, but the DCC allows a pooling of risk over a large number of owners and members. Although private initiative and broad interest are required to establish a development credit corporation, it has been suggested that certain legislative changes be made to encourage interest in the DCC. The state could also encourage the organization of one or more DCC's through education and promotion.

There are various federal programs designed to promote economic development available to Indiana communities, business, and industry. While Indiana has availed itself of these programs, the eligibility criteria of some programs limits Indiana's full participation. Changes in criteria should be sought from the subject federal agencies.

The following are a few of the federal programs:

Economic Development Administration

EDA funds for economic development activities are limited by the requirement that application for loans and grants come from "eligible counties". Eligibility is based on high unemployment rates or low family income; only nine Indiana counties were eligible in 1969. Kentucky and Ohio in the Appalachian Region received over $82 million for 186 projects in 1968; Michigan in the Upper Great Lakes Region received $31 million for 83 projects the same year; while Indiana received only $7 million for 18 projects.

Small Business Administration

The Small Business Administration has several programs that aid small business. Of special interest are the SBA 502 loans to state and local development companies. In this type loan, the SBA participates with a local development corporation on a loan to small business, with the local corporation providing up to 20 percent of the cost of the project in equity, debt funds, or in cash equivalent. This program has been little used in Indiana. The state's participation in the SBA programs for direct loans and loan guarantees to individual businesses has been extensive.

Farmers Home Administration

The Farmers Home Administration makes public facilities grants and loans to rural communities (i.e., communities outside metropolitan areas with under 5,500 population). Between 1961 and 1970, the FHA approved approximately $45 million for 140 water and sewer projects in Indiana.

Manpower Development and Training

This program, designed to improve the ability of disadvantaged persons to move into productive employment, has been utilized mainly by Marion and Lake Counties. In February 1970, Marion County enrolled 589 persons out of the state total of 1,594.

In summary, the majority of federal loans and grants in Indiana are for public works projects. Twice as much money is allocated for small community water and sewerage systems as for small business development. Criteria established by certain federal agencies militate against participation of Southern Indiana in federal programs, although the area's problems are similar to qualifying areas of neighboring states.

ECONOMIC DEVELOPMENT PLAN FOR THE FUTURE

It is critical that a statewide economic development plant be developed to provide guidance and direction for Indiana's growth. This plan must first set forth goals and objectives for Indiana's economic growth. From the preceding analysis, some important considerations in establishing specific goals are obvious: (1) diversification of the state's economy by distributing jobs, people, and wealth throughout the state; (2) securing an economic and social balance between rural and urban areas; and (3) reaching a proper balance between the durable and non-durable goods sectors of the economy.

Secondly, the plan must establish priorities for action. Implicit in these priorities would be the integration of local and regional development plans with overall statewide goals and objectives.

After the goals and priorities have been established, a means of implementation will be the cornerstone. Needed legislation has been indicated above.

Finally, the plan must be continually evaluated and alternative plans and needs must be established if the state is to develop effectively.

Some of the probable economic changes that should be considered in establishing an economic development plan are:

(1) The changes in life-style and the reordering of individual and family priorities as they relate to ecology, shelter, energy, food, mobility, and telecommunications.

(2) The major growth in economic activity which serves the health, education, and recreational needs of the state's citizens.

(3) Expertise and organizational skills will become increasingly important resources as the production process will continue to demand more and more of man's reasoning abilities.

(4) The proportion of jobs in the white collar sector of the economy (trade, finance, services, and government) will continue to grow and greatly exceed the number of blue collar workers.

(5) The growing importance of education and education-related activities will be due to the emphasis attached to innovative and theoretical knowledge.

(6) The continued acceleration of an inter-relation of public and private involvement in social factors influencing economic growth—such as health, education, welfare, housing, and civil rights.

(7) The government will become more and more involved in the traditionally private economic sector. (Indiana has often lagged behind other states in federal program participation. Business, on the other hand, often performs government services under contract, an increasing practice.)

(8) The growth and importance of non-profit and public benefit corporations as economic institutions.

(9) The new technologies and innovations in the construction industry, particularly the housing market, will increase efficiency and productivity in the industry and eventually result in reduced housing unit costs.

(10) The growth in urban revitalization industries will stimulate existing and create new industries.

(11) The expected gorwth industries, such as electronics, computers and related services and equipment, mass transit equipment, drugs and medical equipment, health services, education, recreation and leisure, communication utilities, financial services, and management services, must be considered in the growth strategy.

The foregoing discussion points up the problems and potentials for economic development in Indiana. As an immediate step to further the state's economic planning and development program, Lieutenant Governor Folz is appointing advisory committees for each of the fourteen development regions of the state. These committees, composed of key citizens covering a wide spectrum of interests, will work directly with the Department of Commerce in identifying and analyzing problems, suggesting means of alleviating these problems, and recommending ways of developing each region's economic potential to the fullest. The Department of Commerce, under the direction of Lieutenant Governor Folz, also provides assistance to communities, development groups, or individuals interested in economic development. The Department also furnishes information and advice on state and federal assistance programs for economic development. Social, economic, and similar data pertinent to economic development are available to communities and companies through the Department's computerized data retrieval system.

Rural and Urban—to Attain a Balance

Housing policy has been given little attention by state government in Indiana; even though housing supply is a key prerequisite of community development.

Adequate housing for the senior citizens of the state should be a priority concern of state government, since those citizens immediately affected have already given a life-time of service to their community and their state.

Decent shelter for the underprivileged, too, is a matter that should stir the public conscience.

I recommend this report to you, specifically, because it relates certain housing needs and proposals to the overall goals of the state's urban and rural development. I trust you will view these recommendations, as they were intended, as a beginning to the formulation of a meaningful state housing goal and program.

RICHARD E. FOLZ,
Director, Department of Commerce, Lieutenant Governor.

A GOAL—1971

The premise that underlies this report is that the government of the State of Indiana has the means for effecting the distribution of population and economic activity for the betterment of its citizens. Government can prevent excessive concentration in the metropolitan centers and at the same time can increase the relative population and economic share in other sectors of the state.

How can Indiana achieve this? An important determinant of population and economic growth is the quality and range of public services. Industry requires good roads, community services, water supply, and a skilled labor force. There are two community conditions that all Indiana residents desire:

1. the opportunity to find challenging, profitable employment; and
2. the assurance of food, education, housing, health care, recreation, and cultural opportunities as well as other personal amenities.

All of these community needs are either directly administered or highly influenced by state and local governments.

Indiana has made commendable strides in recent years, specifically in education. New educational programs housed in handsome, up-to-date facilities have been established throughout Indiana. Expanded development on the regional state university campuses is another progressive aspect of the state's educational progress.

The Indiana Industrial Development Program has also been very successful especially in promoting new industrial locations in the state.

The important "1966 Highway Needs Study" conducted for the State Legislature in 1965–66—although not yet officially incorporated in the Highway Capital Improvement Program—is being expanded and refined. This important guideline for Highway Construction when adopted will direct highway programming on an even more objective basis. If it is determined that new highway building in economically depressed areas is justified to stimulate new industrial investment, highway construction will then be programmed accordingly.

The recently opened Indiana deep-water port on Lake Michigan is the culmination of many years of effort on the part of many Indiana officials and private citizens. The port provides Indiana's first direct public access to ocean-going ships serving all major ports of the world market.

These are some of the many new programs and advances Indiana has made in recent years. The advances are a tribute to the hard work and dedication of state and local officials as well as many private citizens. This recent progress is, however, only a beginning in solving the problems and deficiencies of Indiana that have been too long neglected.

The number of important needs still unmet is staggering.

The Indiana Department of Commerce, Division of Planning, cooperating with local communities, has examined some of the more crucial needs and problems of our counties to determine what programs should be re-evaluated and what new attempts should be instituted to upgrade the quality of public services in nonmetropolitan areas and in certain depressed urban areas. Both existent plans and unmet needs must be reconsidered.

To meet these local needs some new programs and additional funds are essential, but these are not the most important requirements.

FOREWORD

Some Hoosiers still live a long distance from their nearest neighbor while others are jammed into the rapid, growing urban communities of this nation's heartland.

Both those in the conjested cities and those in the rural areas face severe problems, because either too many or too few persons live together. This paradox has motivated the Division of Planning of the Indiana Department of Commerce to ask if Indiana will achieve a better balance and consequently attain a healthier pattern of growth and development between its rural and urban sections.

The answer to this dilemma is, "YES," we can achieve a better balance of growth and distribution of wealth between the urban and rural sectors of Indiana IF the people of this great state are willing to use the resources of their state and local government in a *vigorous* and *coordinated* effort to improve the quality of life at both ends of the urban-rural spectrum.

The goals and proposed legislation suggested herein are the beginnings of a state program designed to accomplish one of Indiana's priority objectives—a more equal balance between rural and urban communities in Indiana during the 1970's.

If not new programs, then what? The most urgent priority is not money, but rather the need to establish a clear set of goals, purposes, and basic policies that will guide future development.

Current monies already ear-marked for planning and development by local communities, and other monies that may be available to local communities, could be put to better use if local development policies were more clearly defined and coordinated with adjacent geographical areas. The state must assist local communities in achieving this more meaningful goal.

Such statewide coordinated goals, purposes, and basic policies can be formulated only through clear understanding of what the community feels it must do to eliminate its problems. *This* is an essential prerequisite for any real program of action.

The second most urgent need is to examine the administrative and operational structure of state and local government with an eye towards making available to both levels of government more effective instruments for policy implementation.

The distribution of population in Indiana among the urban and non-urban areas five, ten, fifteen years in the future will depend upon the relative advantages these two kinds of living environment offer as places to work, live, and raise a family and to enjoy the amenities of a good life.

An on-going trend of rural areas is their steady population loss because of declining economic opportunities. Indications show that the average rural areas also lack diversified employment opportunity, recreation facilities, and health services; in addition, rural residents need adequate housing, income, and community services. Even more alarming is the continuing downward population in rural areas, especially their loss of young people. With these deficiencies, sources of technically skilled labor and a supportive tax base are also declining; thus the urgency for a joint venture between local and state government to determine a plan of corrective action is evident.

Each of the following goals presented by the Indiana Department of Commerce, Division of Planning, is the direct result of analysis and reviews as well as the result of hundreds of local documents, meetings with community officials, and monitoring the local news media. Together local and state planning goals form an initial attack on the major problems. They pave the way toward a plan of action during the 1970's that should bring about a balanced economic growth throughout Indiana's rural and urban areas.

Before proceeding, the word "goal" must be defined to assure common understanding. For the purpose of this document, goal is defined as follows: "A fairly specific objective formulated with due regard for resources available or reasonably likely to become available within a reasonable time limit to indicate the direction of desired development and the results to be achieved.

What are these goals? The following four goals represent the four general areas of greatest urgency as currently expressed on a statewide analysis of both rural and urban areas. After each general goal, a brief discussion on suggested alternatives is offered.

I. Indiana's housing goal: "A decent home located in a decent environment for every Hoosier who seeks such accommodations regardless of income capability."

Housing experts estimate that nearly six million American families live in substandard housing. Over the next nine years this country will need more than 20 million new or rehabilitated houses to replace inadequate dwellings and to meet the demands of population growth and population shifts.

Production of housing, however, has become increasingly difficult because labor, land, materials, and financing costs continue to rise rapidly. The construction industry has not been able to cope with these mounting costs, especially in providing housing for lower- and moderate-income families. These families also need help in obtaining mortgage credit, because the limited funds available on the open market have resulted in favoring the middle- and upper-income home buyers.

While the Congress of the United States has enacted programs that extend the benefits of home ownership to lower-income families, further assistance in stimulating construction projects and in providing loans is needed. Several states have already taken steps to capitalize on the potential of federal housing programs and to fill the void in assistance and loans. The most common method is through a State Housing Finance Agency which has authority to issue tax-exempt revenue bonds to finance its activities. Thirteen states have authorized such an agency: Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Vermont, and West Virginia. These thirteen states plus Hawaii authorize mortgage loans for low or moderate-income housing. Also loans or grants for "seed money" to non-profit or limited-profit housing organizations are authorized by eleven states: Connecticut, Delaware, Hawaii, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Rhode Island, and West Virginia.

Recognizing this need, it is proposed that an Indiana Housing Finance Agency[1] be created as an administrative agency authorized to:

(1) purchase federally insured mortgages;

(2) make, or participate in the making of, federally insured construction loans;

(3) make, or participate in the making of, federally insured mortgage loans;

(4) provide technical advisory services to builders and developers, including market information;

(5) provide advisory services to families, both for achievement of new or improved housing and for the proper maintenance of such housing;

(6) promote research and development in scientific methods of constructing low-cost residential housing of high durability;

(7) coordinate housing needs in areas where new economic opportunities may be created.

The agency would also provide financing for preconstruction costs through establishment of a special Housing Development Fund.

The proposed bill (to be submitted to the 1971 Indiana General Assembly) is drafted with the intent that the agency would function through the private home-building and lending industries. It would become financially self-sustaining, and its borrowing would not impose general obligations on the state's revenue and credit.

The activities of the agency would cover the entire home-building process, including preconstruction, land development, and construction, and permanent financing. Monies provided for permanent financing by the agency would come from tax-exempt housing revenue bonds. The bonds would be self-liquidating and secured by federal insurance on loans and mortgages made or purchased by the agency. The other funds would be placed in a separate trust account of the agency—the Housing Development Fund. These funds would come from gifts, grants, and borrowing secured by notes of the agency. These funds could be used for land development, preconstruction costs, and actual construction costs. Loans would be made to corporations or individuals on a temporary basis and would be repaid in full when the permanent mortgage is made. The proposed legislation provides that in no instance would financial assistance be provided when private funds were available.

II. Indiana's economic development goal: *"To diversify the state's economy and arrive at a proper balance between the rural and urban areas. The policy will aim at developing a growth and development pattern which will more properly distribute jobs, people, wealth, and revenues throughout the state."*

Indiana is becoming more and more "The Center of Things." Whereas the state only reached the national average in value of farm products sold per farm in 1964, it bettered the national average value ten-fold by adding manufacturing per employee for 1967.[2] Indiana ranked eighth among the states in "Value Added By Manufacturing," third in production of steel, and first in the production of color television sets, mobile homes and others.

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[1] Based on the North Carolina Housing Corporation Law—(Law 1969, Chapter 1235). It supplements many of the federal housing programs and draws upon a State's borrowing capacity and the administrative efficiencies of private lending institutions.

It is clear that Indiana's future is best assured by continuing this progress, but not at the expense of its agricultural, recreational, and other non-urban production per acre of corn, soybeans, and other products. Its outdoor scenic beauty and historic worth are unexcelled and should be protected.

Future economic development relies heavily upon a planned, balanced program which integrates all urban and rural portions of the state into a productive whole. A definite course of action should be placed into operation which:

(1) Gives full consideration to the conclusions and recommendations of the previous study programs as they affect the state's general economy in each area of state government.

(2) Promotes development of industry along the Ohio River and within the state's southern counties.

(3) Takes advantage of federal watershed programs so that more lands are made usable for agricultural production.

(4) Utilizes fully and makes proper use of Indiana's natural resources (e.g., parks, scenic beauty, historical heritage, hardwoods, and climate).

(5) Converts all air, water, land, and other forms of pollution into controlled and productive systems.

(6) Utilizes the state's 14 planning and development regions' concept for improving the state's various economic areas.

III. Indiana's regional and statewide planning goal: To provide comprehensive planning, formulated in accordance with functional criteria based on geographic regional analysis and proposals. This aspiration can be realized within the context of an integrated economic regional and statewide framework.

In 1969 there were 52 Indiana counties with active area plan commissions. There were two urban counties which had "metropolitan plan commissions." Also, as of 1969, there were about 60 active separate city and county plan commissions in Indiana.

None of this analysis takes into consideration several Council of Government (COG) agencies or other planning districts. Added to these are the varied physical, social, and economic planning groups identified with many local, county, and state functions, as well as private interests.

There are planning organizations involved in health, welfare, employment, public safety, community services, watersheds, parks, along with others. Each of those involved in planning the state's future is an independent entity and few coordinate with others. The only workable solution will allow most of them to retain their respective rolls, yet work within the context of a unified regional and statewide integrated framework.

To best utilize time and resources it is proposed that:

(1) All Indiana towns, cities, counties, special districts, and other groups involved in planning—whether public, quasi-public, or private—form large regional organizations paralleling the state's 14 Planning and Development regions as conceived by the governor in 1968.

(2) Geographic, social, and economic boundaries be used in preference to political districts.

(3) Area-wide agencies review all plans and proposals and act as a liaison between the local groups and the state with no actions taken without all levels in agreement.

(4) The State Department of Commerce, Division of Planning, acts as the official state body in all matters of planning coordination within the state and with the various federal agencies.

IV. Indiana's statewide transportation system goal: *Cooperation between local and state planning groups and the U.S. Department of Transportation to prepare a statewide comprehensive plan with a two-part capital improvements program for all modes of travel: 1. short-range 1947–79; 2. long-range 1980–1990.*

In 1933, Indiana had 8,429 miles of state highways and 7,500 of railroad lines. Thirty years later there were 10,056 miles of state highways and only 6,500 miles of railways. Added to this is an assortment of county roads ranging from the most primitive to the most modern.

The Federal Transportation System has high impact on Indiana, especially

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[2] Source: U.S. Dept. of Commerce, Bureau of Census.

Indianapolis, because more interstate systems converge on it than any other city in the U.S.

In addition, there has been an increase of 96 public airports since 1932 (a 400% increase), and the advent of new transportation forms, such as monorails high-speed surface trains, jets, and helicopters will require new considerations. It is projected that by the year 2000 there will be a need for 160 new public airports to serve an additional 12,500 licensed pilots and 2,700 more licensed and active aircraft in the United States.

New man-made harbors on the Ohio River are top-priority development prospects demanding additional attention and planning.

If this complex transportation network is to move people and materials efficiently, it must allow for ease of accessibility, choice of transportation modes, plus reasonable time en route.

It is proposed that the goals, policies, and procedures of the U.S. Department of Transportation, as enumerated in its "Manual A: General Instructions," be adapted to fulfill the following purposes, scope, and organization:

1. Cooperative, comprehensive, and continuous planning by Indiana with all other states, especially its neighbors, so that the provisions of publicly-used transportation facilities and services are recognized.

2. Cooperative, comprehensive, and continuous planning by each major metropolitan area covering the provisions of publicly-used transportation facilities and services.

3. Help develop a recommended Capital Improvements Program of federal transportation expenditures up to 1990 which is coordinated with state and local plans and programs. (Program to be in two parts: ((a)) short-range 1974-79; ((b)) long-range 1980-1990.)

4. Continue the Indiana Department of Commerce, Planning Division, as the statewide review and coordinating agency.

5. Collect information to increase the effectiveness of the allocation of federal resources.

How can the alternative courses of action be achieved? Each of the four major goals discussed herein and their corresponding alternative courses of action for implementation must be accomplished so that every resident may be given the chance to lead a comfortable life. But in order to accomplish each goal in an orderly and planned manner, implementation must be achieved through state legislation. To achieve the stated goals, Phase I has been translated into a legislative package to be presented to Indiana's 1971 Legislature. These legislative proposals are summarized in the following section and grouped, as were the goals, in four main categories: housing, economic development, regional and state planning, and statewide transportation system. The enclosed summary contains a brief resume by the Department of Commerce of each proposed legislation submitted to the 1971 Indiana General Assembly. *A special supplement to this publication has also been prepared which contains an abstract of each proposed bill.*

SUMMARY AND RECOMMENDATIONS

Summary of Proposed Legislation

To achieve a more equitable balance between rural and urban Indiana, the following legislation is being submitted to the 1971 Indiana General Assembly for consideration and adoption. This is a part of a long-range action program that will be submitted periodically to the legislature during the 1970's. It is anticipated that this legislation will provide the necessary enabling law affording greater economic advantage and opportunity to local areas for the improvement of the urban-rural balance in Indiana.

I. Economic Legislation

Senate Bill No. 577.—This bill amends the act creating an Industrial Development Fund for the use of local units of government and would provide an additional revolving fund of $5,000,000 for that purpose.

Senate Bill No. 596.—An amendment to the Economic Development Authority Act of 1965, appropriating additional money to the mortgage insurance fund, and clarifying administrative procedures applicable to the industrial mortgage guarantee program.

II. Housing Legislation

Proposed Resolution.—A resolution affirming the interest of the General Assembly in the continued availability of decent and suitable living facilities for all the people in the state and requesting the executive department of state government to evaluate the state's present and future needs and to recommend methods to the legislature whereby the state's housing goal can be defined and carried out.

Legislative Proposal.—The bill creates a state housing finance agency from which local developers, sponsors, and builders may obtain mortgage loans and finances for planning, developing, and building housing projects for lower income families. The state agency is authorized to issue revenue bonds to provide this financing and can make loans only where private lenders are unable to grant such loans upon equivalent terms and conditions.

Senate Bill No. 556.—This bill amends a 1937 act creating a State Housing Board and extends to it additional functions whereby, on the request of local government, the state can serve in the capacity of a local housing authority.

III. General Legislation

House Bill No. 1653.—This bill authorizes the creation of regional tourism information and promotion councils and provides a method whereby the program of the state's tourism agency can be more closely related to local needs and objectives. It appropriates a fund for the use of regional tourist promotion and requires for the administration of this fund by the State.

Senate Bill No. 598.—This bill permits local and state government to purchase conservation easements on certain lands where it might be in the public interest to preserve the land in its present recreational, scenic, historic, or other characteristics.

Legislative **Proposals.**—This bill would establish an alternative channel of appeals from decisions of local planning commissions and boards of zoning appeals, creating a state administrative appeals agency and authorizing it to hear and determine appeals brought to it as an alternative to the certiorari proceedings, as handled by local courts.

Senate Bill No. 74.—The Regional Planning and Development Act of 1971 proposes to create fourteen regional planning commissions within the state. Their jurisdiction conforms to the regional planning boundaries established by Executive Order No. 16–1968 by the governor. The purpose of the act is to create improved relationships for planning decisions at the local level.

House Bill No. 1687.—A Community Development Commission with statewide authority to combine state and private resources for the development and improvement of a major community improvements and projects.

House Bill No. 1673.—An enabling law that will permit local areas to acquire, restore, and preserve certain areas and places of historical significance and important to the heritage of Indiana.

STATE OF MAINE,
OFFICE OF THE GOVERNOR,
Augusta, Maine, August 16, 1971.

HON. HUBERT H. HUMPHREY,
Chairman, Rural Development Subcommittee, Committee on Forestry, U.S. Senate, Washington, D.C.

DEAR HUBERT: I write in response to your earlier questionnaire about the development of rural America.

I have received two responses from Maine Department Heads which may be helpful to you. Copies are enclosed.

I wish you every success with your inquiries.

Sincerely,

KENNETH M. CURTIS,
Governor.

STATE OF MAINE,
ENVIRONMENTAL IMPROVEMENT COMMISSION,
Augusta, Maine, May 20, 1971.

To: Bob Shepard, Executive Department.
From: William R. Adams, Director.
Subject: Hubert Humphrey letter dated April 30, 1971.

I have your recent memorandum requesting my views on the questions posed by Senator Humphrey. I will attempt to answer them as numbered in Senator Humphrey's letter.

1. It appears to me that the problems of rural Maine are going to be the pressures soon to be exerted upon these areas by recreational and industrial expansion. Maine is in close proximity to the large metropolitan areas of the east coast and the desire of people to leave these areas for vacation and recreation is going to put tremendous demands upon the land of rural Maine. These demands are noted in the review of projects being considered by the Site Location Statute. These problems could be minimized if the communities were given guidance and encouragement in establishing local ordinances, comprehensive plans, and given professional assistance to guide this development in the proper channels. The Site Law is of some assistance to small communities but should not replace local action.

2. The impact of these problems on urban America will undoubtedly be that the escape sought by the city dwellers will be of short duration and the problems in their new found areas could easily out weigh the problems they left in their urban community.

3. It would appear to me that a national growth policy is urgently needed. I refer to the problems and pressures brought to small communities by large developments either residential or industrial. This can be clearly seen by observing the stresses upon small communities brought about by projects of the magnitude of the Maine Clean Fuels. A study of the hearing held by the Environmental Improvement Commission clearly indicates the desire of many people for industrial growth and the equally strong desire of many other people in a community to maintain a status quo. One might also study the history of locating the Maine Yankee Generating Station in Wiscasset. Again the communities are often split and on a local level are frequently unable to muster the professional help needed to properly guide the community.

I might also note that the tremendous need for additional electric generating facilities is going to put many sections of the Maine coast and rural area in a sought after position by the electrical industry. It must be recognized that oil, electricity, and all other forms of heavy industry are going to be needed if the economy and standard of living of United States is maintained and brought forward. It is also almost an accepted fact that the usual location for these industries are becoming less and less attractive due to the environmental problems in these industrial areas, and therefore rural America is being looked at. These problems appear to me to be of such magnitude that a national policy might be desirable.

4. My experience in dealing with federal programs on the rural level is extremely limited, however, we have had some experience in administering water pollution control construction funds. I would point out that these funds are usually inadequate to cope with the problem in small rural communities especially along the coast of Maine. The Commission is presently working with the town of Damariscotta in an attempt to bring about the construction of a water pollution control facility in this community. The fact that the community does not now have a collection system and that the community for the most part is sitting on bedrock has brought about proposed user charges far in excess of those usually considered reasonable. I think this problem probably exists in most of our smaller Maine communities, and certainly should be studied in great detail. I might add that the Commission hopes to conduct some studies along this line in the near future.

5. I have no comment.

6. I have no comment.

I realize that my thoughts might not be directly related to the items requested by Senator Humphrey. I do hope that they will be of some value to you in the preparation of your reply. Should you like further information on any of the items I have covered, I would be most happy to discuss them in more detail.

STATE OF MAINE INTER-DEPARTMENTAL MEMORANDUM

MAY 12, 1971.

To: Bob Shepherd, Executive Department
From: Maynard C. Dolloff, Commissioner, Agriculture Department
Subject: Letter to Gov. Curtis from Sen. Humphrey

This is in response to your memo asking me to provide information for the Governor's reply to Sen. Humphrey—especially items 1, 2, 4, and 5 in the Senator's letter.

I have confined the following to the items you specifically mentioned. I assume you have also asked Peter Bradford to respond to item 4.

ITEM 1

1. Rural housing. The ESCO report (p. 257) says "Substandard conditions in the state are most acute in the rural areas . . ."

2. Economic plight of the family farm. The squeeze between rising farm costs and lower prices have left the farmer with a shrinking share of the consumer dollar. Large numbers of Maine farmers are and have been getting less for their products than the cost of production. Farm indebtedness is increasing; the family farm is giving way to corporate farming in both the potato and poultry industries.

3. Lack of economic opportunity. When farms are sold, many have to move to gain employment. This lack of opportunity is especially acute with youth, creating an out-migration—both to cities and out-of-state. Rural Maine continues to lose population.

4. Lack of adequate rural medical facilities and personnel. Some communities still have one-day-a-week physician service and medical facilities need up-dating. (Check with Health and Welfare)

5. Educational inequality because of property tax variations. So long as local education is predominantly determined by local property tax inequality will exist in education. Maine is meeting this as noted in item 5 below.

ITEM 2

1. The nation ultimately learned in the 1920's that it cannot continue to be prosperous as long as a segment of the population as large as agriculture is not getting an adequate return on its investment of personnel and equipment. While lower food prices in urban supermarkets have a short-run appeal, they are a long-run threat if those lower prices are at the expense of the producer.

2. Housing. The rural housing blight is a denial of the pastoral stereotype of country life which many urban dwellers hold. The housing crisis in the cities cannot be dealt with independently from that in the country. Current emphasis on model cities and urban renewal must not allow citizens to ignore rural needs. This calls for comprehensive planning on housing.

3. Economic conditions. Many areas of rural Maine are losing tax value. This shifts the burden to urban areas. Increased industry and improvement of employment opportunity would enable rural areas to better bear their share of governmental and community activities, and would hold youth and the displaced farm worker who add to urban congestion.

ITEM 4

1. Rural Youth Corps. Maine was, I believe, the first state to establish the RYC. Ask George Ezzy.

2. Farmers Home Administration. The work of the FHA has been vital to Maine farmers—especially those in Aroostook County. FHA officials say Aroostook has more "county offices" than any other county in the nation.

3. Economic Development Adm. The EDA has in the past designated some rural sections of Maine as redevelopment areas, some as growth areas. For further information check with Peter Bradford.

4. Model cities and urban renewal. Maine has both HUD programs. Urban renewal is more closely linked with rural areas than the other. A number of farm centers, Fort Fairfield, Caribou, Presque Isle, etc., have urban renewal projects under way. These are aimed at up-grading business and other community services and providing better facilities for meeting the business, recreational and marketing needs of those living in or near such communities.

5. Soil conservation projects. Maine was one of the first states to receive grants from the Federal Soil Conservation Service for watershed projects. Twenty-seven projects are underway, or have been completed. The Maine Soil and Water Conservation Commission supervises these programs. Other SCS activities are also operating in Maine. Ask Charles Boothbay, MS&WCC.

ITEM 5

1. Maine laws: (a) Site Location Act in 104th Legislature was enacted to control industrial location and pollution. (b) Proposal for tax relief for elderly in current legislative session is aimed at improving the lot of the elderly of State, many of whom are rural residents. (c) Proposal for land use legislation now before 105th would allow land to be taxed according to current use and would protect farmers and others from over-valuation which often forces diversion of farms and woodlands into other use. (d) Proposals for tax assessment reform which would create tax assessment districts to correct inequality in assessment practices and broaden the tax base for many rural communities.

2. Maine programs: (a) Increase State responsibility for the costs of education means equalization of educational opportunities between communities with high taxable property and those without. (b) Projects under the State Arts and Humanities Commission bring cultural opportunities to rural areas not able to provide their own: art, music and drama. (c) Programs to improve the life of Maine Indians who are nearly all rural residents: increased self-government, better housing and improved educational and sanitary facilities. Ask James H. Murphy.

I trust these points are given in such a way that you can readily condense them for the Governor's reply.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., September 2, 1971.

HON. HUBERT H. HUMPHREY,
Chairman, Subcommittee on Rural Development, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HUMPHREY: The enclosed answers are in response to your letter of July 26, and the accompanying 16 questions. The Department appreciated the opportunity to appear before the Rural Development Subcommittee to discuss proposals for rural development credit.

This Administration has been committed to rural development and to bringing about a better balanced growth since its very outset. This commitment has been followed by action and legislative proposals. The President's Reorganization proposal will for the first time, consolidate in one spot, the new Department of Community Development; sufficient know-how; resources; and, authorities to accomplish the rural development goals sought but not obtained previously. The Rural Revenue Sharing proposal will give the citizens of State and local communities considerably more power and financial resources for dealing with rural development problems in a more forthright, effective manner. Funding of USDA's principal rural development programs in FY 1972 is more than two times the FY 1969 level when this Administration took office ($2,668,000,000 vs. $1,369,000,000).

I urge that the Congress give the President's Rural Revenue Sharing and Reorganization Proposals its earnest and favorable consideration.

Sincerely,

J. PHIL CAMPBELL, *Acting Secretary.*

(The enclosures are as follows:)

Question No. 1. Last year Congress passed and the President signed legislation putting the rural development component of a national balanced growth policy at the highest priority level. The relevant language of Title IX of the Agricultural Act of 1970 reads (and I quote): "The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas." Do you consider Title IX, and the provision quoted above, to be binding on the actions and decisions of the Executive Branch?

Answer. The response to this question has been placed as an Extension to the Record.

Question No. 2. What is your interpretation of the passage I have just quoted from Title IX, Section 901(a)? Please feel free to amend and extend your statement for the printed record; but we would appreciate having your expression at this time.

Answer. The response to this question has been placed as an Extension to the Record.

Question No. 3. Please give us your best estimate of the probable cost of construction of the necessary rural community facilities that will be necessary to reach the goals expressed by Title IX. We would like your expression now, subject of course to whatever further refinement and extension you would like to make for the printed record of this hearing.

Answer. We do not have an estimate of the probable cost of construction of the necessary rural community facilities that will be necessary to meet the goals expressed by Title IX.

Question 4. Can give us a general idea of the prospective asset value of new industrial plants and other construction by private economic enterprise would be required to reach the President's rural community development goals? Please feel free to amend and extend your reply for the printed record.

Answer. In keeping with the President's emphasis on returning decisionmaking powers to State and local governments, no specific rural community development goals have been set at the national level. This responsibility will rest with those nearer the point of implementation. Still, a central theme of these development efforts will be to provide ample employment opportunities for all those who now live in rural areas. If we assume, for example, development goals of (1) entirely stopping net outmigration from nonmetropolitan areas and (2) closing by half the gap between labor force participation rates of metropolitan and nonmetropolitan populations during the coming decade, then about 3 million additional jobs would be required in nonmetro areas by 1980. The asset value of additions of new plants and remodeling of existing plants and other construction by private enterprise to accompany this acceleration measured in 1970 dollars could approximate $125 billion during the 1970 decade, or about $12.5 billion per year.

Question 5. One source of future economic growth in rural America is, of course, the amount of funds from current income being generated in rural America that is available for savings and investment. Can you give us a general idea of what the total amount of such funds might be for a recent year?

Answer. Given the paucity of information on capital flows that is available on a rural-urban break, this question and the two that follow can only be roughly estimated. For the purpose of making such an estimate, we have assumed that all components of the national income accounts are distributed between metropolitan and nonmetropolitan areas in the same proportion as personal income (76:24). On this basis, personal savings in nonmetro areas would have equaled $13.0 billion in 1970.

To estimate the amount of retained business earnings in nonmetro areas available for investment, one must make further assumptions about the net movement of goods and services between metro and nonmetro areas. On the basis of a "location coefficient analysis" of major product components (e.g. agriculture, construction, durable and nondurable manufacturing and services), it was estimated that 17 percent of the nonmetro product was "exported" to metro areas while 10 percent of the much larger metro product was "exported" to nonmetro areas. Further, assuming that all components of the product accounts are distributed between metro and nonmetro areas on the same 76:24 basis used above, one is led to the conclusion that nonmetro areas probably experienced a new "trade" deficit with metro areas. The magnitude of deficit was roughly estimated at $35 billion for 1970. In other words, the analysis suggests that this exchange results in a net flow of goods and services into nonmetro areas which must in turn result in a flow of capital from nonmetro to metro areas to pay for the deficit. Retained business earnings, which were implied deductively from the above assumptions and the gross national income accounting identity, would seem to be small if not negative. The estimate for 1970 using national income accounting data was $−2.4 billion.

Question No. 6. On the basis of your general knowledge and whatever data you may have, what percentage of the savings and investment funds generated in rural America stays there for reinvestment?

Answer. Applying the same assumptions used in answering the preceding question, nonmetropolitan investment was an estimated $32.5 billion in 1970. Given nonmetro personal savings of about $13 billion and little if any retained earnings, something less than half of the total investment in private plant, equipment, and other construction in nonmetropolitan America is judged to have its origin in capital accumulated there. These transfers from metropolitan areas by both the public and private sectors will likely continue to represent an important source of financing for job creation in nonmetropolitan areas during the coming decade.

Though some portion of rural savings undoubtedly flow into metropolitan investments, we have been unable to ascertain the size of this flow from available information.

The attached tables provide a general indication of the amount of savings held in nonmetro banks and savings and loan institutions at given points in time.

DEMAND AND TIME DEPOSITS IN 2 GROUPS OF RURAL BANKS, DEC. 31, 1965-70

[In millions of dollars]

Dec. 31	Demand deposits		Time deposits	
	Member banks with head offices in places under 15,000 population	Selected agricultural counties	Member banks with head offices in places under 15,000 population	Selected agricultural counties
1965	15,170	4,327	15,257	4,327
1966	15,389	4,435	16,986	4,886
1967	16,310	4,777	19,333	5,546
1968	17,633	5,064	21,786	6,305
1969	18,446	5,212	23,594	6,998
1970	20,408	5,426	27,874	7,830

Source: Computed from FDIC data.

SAVINGS CAPITAL OF SAVINGS AND LOAN ASSOCIATIONS, 1966-68

[In millions of dollars]

Year	Total	SMSA's		Outside SMSA's
		Above 250,000 population	Below 250,000 population	
1966	114,163	81,413	10,650	22,100
1967	124,586	90,035	11,552	22,999
1968	131,661	94,869	12,197	24,595

Source: Computed from Federal Home Loan Bank Board data published in Statistical Abstract.

Question No. 7. Can you give us some idea of the total amount of savings and investment funds generated in nonrural areas that flows into rural investments each year? Please feel free to extend and amend your statement for the printed record.

Answer. Funds generated in metropolitan areas that flow into rural investments each year are associated with the excess of imports to rural America over exports to metropolitan places. As stated above, flows of this kind, both public and private, constitute an important source of funds for rural investment in plant and facilities, but we lack an adequate basis for estimating the amounts involved with any degree of precision. It would appear that roughly a fourth of the personal savings and retained business earnings in metropolitan areas finds its way into rural investments.

Thus, a sizable amount of savings and investment funds generated in nonrural areas is accounted for by net flows into rural investments each year. Gross flows in each direction are probably large, yet the net would seem to be from metropolitan to rural. Part of this net is accounted for by cash flows and part by acquired ownership by metropolitan residents of rural property, plant and equipment. Ownership may be in terms of claims against assets through loans by central city financial institutions to rural firms and households. For example, assets of the farming sector rose to $311 billion in 1970 from $203 billion in 1960. Of this gain, $75 billion was from proprietors' equities and $33 billion was

through increased liabilities. The proprietors' equities fell during this period to 81 percent from 88 percent.

Question No. 8. Do you have with you a convenient list of the loan and grant programs administered by your Department (Agency) for which rural governments, rural private economic enterprises, and rural residents are eligible? We should appreciate having the complete list with a brief description of each for the record of this hearing.

Answer. Yes, sir, we have such a list and will provide it for the record.
(The information follows:)

U.S. Department of Agriculture, Loan and Grant Programs in Rural Areas

FARMERS HOME ADMINISTRATION

Comprehensive water and sewer planning grants are made to provide technical and professional services, test wells, and soil and water investigations. Grants may be made to public bodies, political subdivisions and local planning commissions. Plans must be limited to a rural area and may not include towns or villages in excess of 5,500 population.

Emergency loans are made for operating and living expenses, replacement of equipment and livestock, and real estate repairs. Emergency loans are made in counties designated by the Secretary of Agriculture as disaster areas and in other undesignated areas where only a small number of loans will be made. Established farmers and ranchers who have suffered property damage or crop loss due to a natural disaster are eligible for loans.

Farm labor housing loans and grants may be made to farmers, nonprofit organizations, and public bodies and loans to political subdivisions and nonprofit organizations. These loans and grants may be used to build, repair or purchase adequate farm labor housing, acquiring and improving land for such housing, and developing related facilities such as central cooking and dining areas.

Farm operating loans are made to persons of farm background for the purchase of livestock and farm equipment and for living and farm operating expenses.

Farm ownership loans are made to farmers and ranchers to enable them to buy, enlarge and improve family size farms and develop non-farm enterprises.

Grazing association loans are made to associations of family farmers and ranchers for the purchase and development of grazing land for the use of association members.

Irrigation, drainage and other soil and water conservation loans are made to public and quasi-public bodies and corporations not operated for profit which will serve residents of rural areas which may include towns and villages up to 5,500 population. Loans may be used for irrigation, drainage and other soil conservation measures.

Low to moderate income housing loans are made to U.S. citizens who are or will become rural residents. Loans may be used to build or repair modest homes and to provide water and sewer facilities for the family. Interest credits may be allowed which will reduce the interest rate to as low as 1 percent.

Rural housing site loans are made to nonprofit organizations for the purchase and development of adequate rural housing sites for later sale to low and moderate income families, cooperatives, and nonprofit applicants.

Recreation facilities loans are made to residents with a background in recreational enterprises. Loans may be used to develop land and water resources, repair and construct buildings, purchase land and recreation items, and to pay operating expenses.

Resource conservation and development loans are made to public agencies and local nonprofit corporations in designated areas. Loans may be used to install or improve outdoor oriented recreation facilities, and soil and water conservation facilities.

Rural rental housing loans are made to individuals, cooperatives and nonprofit organizations. Loans can be used to build, buy, improve or repair rental housing. Loans may also be used to provide recreational and service facilities for the rental housing.

Soil and water loans are made to eligible applicants for basic land practices such as leveling, liming, fertilizing, and for irrigation facilites.

Very low-income housing repair loans are made to rural residents to enable these residents to make their homes safe and sanitary.

Water and waste disposal system loans and grants are made to public or quasi-public bodies and nonprofit corporations which will serve residents of rural areas, including towns and villages of not over 5,500 population. Loans and grants are made for the installation, improvement, repair and expansion of rural water and sewer systems.

Watershed protection and flood prevention loans are made to local organizations such as municipal corporations and soil and water conservation districts. Loans may be used to install, repair and improve irrigation and drainage facilities, to provide land treatment and other flood control measures and provide water storage for recreation, pollution abatement and stream flow regulation.

Rural self-help housing technical assistance grants are made to political subdivisions and nonprofit corporations. Grants may be used to hire personnel technical assistance for self-help housing, to pay administrative and office expenses, to make power tools available, and to pay for training self-help housing group members.

Indian tribes and tribal corporation loans are made to Indian tribes recognized by the Secretary of the Interior. Loans may be used to acquire land for lease to tribal members or for recreational, grazing, or commercial use.

RURAL ELECTRIFICATION ADMINISTRATION

Electric loans are made to qualified organizations for the purpose of supplying central station electric service on a continuing basis in rural areas. Electric loans are made to rural electric cooperatives, public utility districts, power companies, municipalities and other qualified power suppliers. A small number of loans are also made for wiring of premises, plumbing and electrical equipment and appliances. These loans are made to REA borrowers for relending to individual consumers on their lines.

Telephone loans are made for the construction, operation, expansion, improvement and acquisition of telephone lines and facilities to provide modern, dependable telephone service in rural areas. This service is to be extended to both farm and rural nonfarm residents, on an area coverage basis, under rates and conditions that permit full and productive use of these utility services. Eligibility for telephone loans extends to telephone companies and cooperatives, as well as to nonprofit, limited dividend, and mutual associations. Beginning in fiscal year 1972, the Rural Telephone Bank (authorized by P.L. 92–12, approved May 7, 1971) will provide loan funds to supplement the regular REA telephone loan program.

AGRICULTURE STABILIZATION AND CONSERVATION SERVICE

Commodity loans and purchases.—Price support loans are available to farmers to improve and stabilize farm income, to assist in bringing about a better balance between supply and demand of the commodities, and to assist farmers in orderly marketing of their crops.

Price support loans to producers are "nonrecourse." Producers are not obligated to make good any decline in the market price of the commodity they have put up as collateral. If market prices rise above support, producers can pay off their loan and market their commodity. If market prices fail to rise above support prices, producers can pay off the loan through forfeiture of collateral. If the commodity is stored on the farm the farmer is responsible for maintaining the condition of the commodity.

Eligible commodities are feed grains and feed grain products, wheat and wheat products, rice, rye, blended food products, dry edible beans, castor beans and oil, flaxseed, soybeans and soybean products, honey, upland cotton, extra-long staple cotton, cotton products, dairy products, peanuts, tung nuts and oil, vegetable oil products, linseed oil, rosin and turpentine, tobacco, tallow or grease, and seeds and plants.

Storage facilities and equipment loans.—The objective of this program is to complement the price support commodity loan program by providing adequate financing for storage facilities and drying equipment, thereby affording farmers the opportunity for orderly marketing of their crops.

The loans are used to finance the purchase of storage structures and drying equipment needed. To qualify for loans the farmers must meet the need eligibility requirements for storing or conditioning of one or more of the 12 eligible commodities as follows: barley, corn, grain sorghums, oats, rye, wheat, soybeans, sunflower seed, rice, dry edible beans, flaxseed and peanuts.

The Rural Environmental Assistance Program is available to farmers, ranchers, and woodland owners (primarily through cost-sharing) to carry out approved soil, water, woodland, and wildlife conservation practices, and agriculture-related water, air, and land pollution abatement practices.

The pollution abatement and conservation practices must be performed satisfactorily and in accordance with applicable specifications. The pollution abatement and wildlife conservation practices must also conserve soil or water. Program participants are responsible for the upkeep and maintenance of practices installed with cost-share assistance. The cost-share assistance does not apply if the primary purpose is to bring new land into production.

Emergency conservation measures enable farmers to control wind erosion on farmlands, or to rehabilitate farmlands damaged by wind erosion, floods, hurricanes, or other natural disasters.

Emergency cost-sharing is limited to new conservation problems created by natural disasters, which:

1. If not treated will impair or endanger the land;
2. Materially affect the productive capacity of the land;
3. Represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area; and
4. Will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

SOIL CONSERVATION SERVICE

Great Plains conservation program assists farmers, ranchers, and others to install conservation plans for whole operating units through a program of scheduled technical assistance and long-term contractual cost sharing that will bring improved stability to the Great Plains area by converting lands unsuited for cropping to other uses and arrest deterioration of crop and grazing lands.

Cost-share funds are available only for enduring soil and water conservation measures determined to be needed to protect and stabilize a farm or ranch unit against climatic and erosion hazards of the Great Plains area, and applied in accordance with a conservation plan for the entire operating unit. Cost sharing to participants ranges for specified conservation practices from 80 percent of the cost, in the case of work most urgently needed, to 50 percent, for practices where the need is less urgent.

Resource conservation and development program assists local people to initiate and sponsor programs for developing and carrying out longrange programs of resource conservation and development, develop dynamic rural communities with satisfactory levels of income and pleasing environments through planned improvement of resources, and create a favorable investment climate attractive to private capital.

Technical planning assistance is provided in project areas authorized for such planning. Technical and financial assistance is available for the installation of land conservation and land utilization works of improvement specified in project plans. Works of improvement may include measures serving purposes such as flood prevention, sedimentation, and erosion control, public water based recreation and fish and wildlife developments, and agricultural water management purposes. Loans for this program are made by the Farmers Home Administration.

Watershed protection and flood prevention program provides technical and financial assistance in planning and carrying out works of improvement to protect, develop, and utilize the land and water resources in small watersheds.

Assistance is provided in planning, designing, and installing watershed works of improvement; in sharing costs of flood prevention, irrigation, drainage, sedimentation control, fish and wildlife developments, and public recreation; and to extending long-term credit to help local interests with their share of the costs. The Flood Prevention Program is limited to the eleven authorized projects. Loans can be made by the Farmers Home Administration under both the Flood Prevention Program and the Watershed Works of Improvement Program (P.L. 566).

FOOD AND NUTRITION SERVICE

Food distribution program provides food to qualifying households, individuals, schools, charitable institutions, and summer camps. Households and individuals may not be charged; assessments for in-state distribution costs may be made against other beneficiaries. Donated foods may not be sold, exchanged, or otherwise disposed of (authorized distribution excepted) without prior, specific approval of the Department.

Funds (formula grants) must be expended to assist in meeting operating expenses incurred in administering Food Distribution Programs for needy persons in households. These funds may not be used to purchase real property (land or buildings).

Food stamp program assists families through food stamps or "coupons" worth more than the purchase amount which varies according to income and family size. The coupons are used for the purchase of food in retail stores. The coupons may be used to buy any food for human consumption, except for items labeled as imported. Almost all grocery stores in food stamp areas are authorized to accept the coupons.

CHILD NUTRITION PROGRAMS

Special food service program for children provides reimbursements to eligible institutions (day-care centers, settlement houses, recreation centers, and day camps) for food purchased for up to 3 complete meals and 2 supplemental meals daily. Financial help is also available to buy or rent necessary equipment.

School breakfast program makes funds available to reimburse public and nonprofit private schools for breakfasts meeting the requirements as established by the Secretary of Agriculture and which are served to children of high school grade and under. Program regulations provide for a Federal reimbursement rate of up to $0.15 per breakfast served or the cost of locally purchased foods, whichever is the lesser. In areas of severe need where all or nearly all of the children are in need of a free or reduced price breakfast, Federal assistance can total up to 100 percent of the operating costs.

Nonfood assistance authorizes the purchase of equipment for storing, preparing, transporting and serving food to children. The cash assistance may not exceed 75 percent of the cost of such equipment. Federal funds are available to assist schools drawing attendance from areas in which poor economic conditions exist to purchase equipment needed to establish, maintain, and expand food schools up to three-fourths of the total price of the equipment including installation charges.

CONSUMER AND MARKETING SERVICES

Matching fund grants are made to State marketing agencies for carrying out specifically approved marketing service programs designed to bring about improved marketing. States contribute at least half the cost of the project and perform the work with State personnel.

Assistance to States for intrastate meat and poultry inspection provides grants to improve the state inspection programs. Those eligible for such assistance include the agency administering the state meat inspection program under laws comparable to the Federal Meat Inspection Act. Federal funds shall not exceed 50 percent of the annual cost of the cooperative program. The grant funds shall be allocated among the states desiring to cooperate on an equitable basis.

EXTENSION SERVICE

Grants are made available primarily on a formula basis to the land grant college in each State and are administered by the Director of the State Extension Service. These funds assist the States in carrying out a program of out-of-school applied education in agriculture, home economics, community development, 4-H youth programs and related subjects.

COOPERATIVE STATE RESEARCH SERVICE

Grants are made to State agricultural experiment stations and other eligible institutions for the support of research in agriculture, the rural home, the rural community and forestry.

FOREST SERVICE

Cooperative Forest Management grants are made by formula to the states for protection, management and development of state, local and privately owned forest land.

Forestry research grants are made available to nonprofit institutions of higher education or nonprofit organizations whose primary purpose is the conduct of scientific research. The research is directed to timber production, forest management, forest fire control and related areas.

General forestry assistance funds are made available to the State forestry agencies to carry out special studies and projects to improve forest management and product utilization.

Question No. 9. Can you give us an estimate, or general idea of the amount in dollars of each of your Department's loan and grant programs that was expended or committeed in a recent fiscal year in a place or in a manner that contributed directly to rural community development purposes? We would like to have your best estimate for each placed in the record.

Answer. Yes, sir. We have a list of the Department's loan and grant programs which make a direct contribution to rural development along with the estimated fiscal year 1971 program levels. We will be glad to provide that for the record.

(The information follows:)

U.S. DEPARTMENT OF AGRICULTURE

Rural development loan and grant programs, fiscal year 1971

Agency and Activity	*Program Level (in thousands)*
Farmers Home Administration:	
Water and sewer planning grants	$2, 643
Water system loans	156, 427
Water system development grants	19, 302
Waste disposal loans	70, 517
Waste disposal development grants	16, 337
Combination water and sewer loans	34, 760
Combination water and sewer development grants	5, 717
Non-farm enterprise loans	3, 341
Recreation facilities loans	1, 632
Resource conservation and development loans	1, 959
Flood prevention loans	228
Watershed loans	6, 758
Rural housing loans (includes mutual and self-help loans)	1, 362, 275
Rural rental housing loans	26, 789
Farm labor housing loans	474
Farm labor housing grants	737
Very low income housing repair loans	5, 493
Mutual and self-help housing grants	1, 721
Site development loans	1, 609
Rural Electrification Administration:	
Electric loans	361, 817
Telephone loans	125, 000
Soil Conservation Service:	
Resource conservation and development grants	2, 442
Flood prevention grants	8, 873
Watershed program grants	44, 666
Extension Service:	
Community development program	9, 987
Cooperative State Research Service:	
Grants to States for community improvement and housing research	4, 889
Total	2, 276, 393

Question 10. For each of the loan and grant programs of your Department that contributes directly to rural community development can you give us a general idea of the total need for the program in rural areas as defined by the bills before us today or some other convenient definition of rural areas? Please feel free to correct and complete your statement for the printed record.

Answer. The general needs for the loan and grant programs of the Department are discussed in the Report on Rural Financial Assistance, submitted to the Congress by the President on July 23, 1971. A copy is enclosed. Generally, the Report indicates that current effective demand for current Federal credit programs administered by this Department are approximateely at levels of funding being provided or planned for FY 1972. Although requirements for credit in rural areas are expected to expand during the next decade, the basic programs exist for handling the increased demands for that part of the credit requirements to be met by USDA.

It is recognized that many rural families desire facilities or services that are not being provided by current credit programs. For these families, priority attention should be given to the President's programs to increase their income levels. In addition, more effective use of Federal financial assistance by rural communities can be achieved if the Congress enacts the President's rural community special shared revenue program, and the reorganization to establish a Department of Community Development.

Question No. 11. As you view the total job of rural community development as set forth in Title IX, how much more annual investment in rural areas, over and above the current rate of such investment do you estimate as being required to attain the goals of a balanced rural-urban growth policy?

Answer. The amount of annual investment in rural areas, over and above the current rate of such investment required to attain the goals of a balanced rural-urban growth policy has not been estimated. It would depend on, among other things, the mix of public and private investment, the kind of investment to be made, the locations in which investment is to be made, the number of jobs to be created and the income to be returned to each worker, and capital-labor mix. These variables generally are not susceptible to prior estimation.

Because the growth of the U.S. national economy generally is great enough to absorb increases in the labor force without reduced wages or unemployment, there is no expectation that Rural Development would increase the capital investment requirements for the Nation as a whole over what would otherwise be invested. An effective program would, however, alter the location of the investment and thus might alter the amount of investment in any specific area.

Question 12. As you view the total job of rural community development from the vantage point of your position in the Executive Branch, what are the major gaps as you see them in existing rural development credit programs?

Answer. The total job of rural community development will require strengthening of State and rural local governments; concerted efforts relating to such human resource development programs as education, health, manpower training and employment assistance; and credit assistance for public facilities, housing and commercial and industrial development. These components of rural community development are interrelated; indeed, demands for credit assistance depend heavily upon the degree of success in efforts to strengthen local governments, community institutions, and the human resource base. Demands for credit assistance are expected to expand significantly in some rural localities accompanying success in rural development. However, with more State and local governmental responsibility and involvement in this development (including providing financial assistance) as would occur with revenue sharing for rural development and with expected additional financial assistance from private sources, we believe existing Federal credit programs available to rural people will be adequate.

Question 13. How much money, private or public, would be required on an annual basis over the next 10 to 15 years to fill the gaps as you see them?

Answer. We believe any gaps in levels of Federal credit for rural development, recognizing the substantial capital investment in public and private facilities that will be required for achieving the development, are difficult to estimate. We believe the provisions in both the general and special revenue sharing programs are the basic means for handling the increased demands for credit.

Question 14. Can the loan and grant programs of your department be expanded and amended in volume and scope to fill these gaps?

Answer. The loan and grant programs of this Department can be (and have been) expanded in response to increased effective demands for this assistance. For example, this Administration increased availability of FHA insured ownership loans by $50 million during FY 1971, and by an additional $90 million in FY 1972. Also, this Administration increased availability of insured loans for rural communities water and sewer facilities by $100 million in FY 1971, and increased the budgeted loan level in FY 1972 by $111 million.

Most of the increased demands for credit should be, and are expected to be, met by adjustments in commercial sources. Public financial assistance could be expanded through general and special revenue sharing, as proposed by the President.

Question 15. What are your recommendations for expanding and amending the rural loan and grant programs of your Department?

Answer. Our recommendations regarding expanding and amending the rural loan and grant programs of this Department are contained in the Report on Rural Financial Assistance prepared in response to Section 901(f) of the agricultural Act of 1970, and in testimony by representatives of this Department on proposed bills relating to rural credit at Senate and House Committee Hearings. For example, we favored the recently enacted amendments to Farm Credit Legislation, the recently established Rural Telephone Bank, and the proposed authorization for Farmers Home Administration to insure farm operating loans. We also favor folding into the rural development special revenue sharing program, the programs of USDA recommended in the President's proposal. We intend to seek improvements in the loan and grant programs of this Department on a continual basis as needs emerge.

Question 16. If your programs were amended and expanded as you would recommend, what gaps in financing for the needed rural community development efforts would still remain?

Answer. With Congressional enactment of this Administration's revenue sharing, reorganization, and other proposals affecting rural people and communities, and with continued adjustment in budgeted levels of Federal assistance with changing demands for this financial aid, we do not foresee any significant deficits in quantities of credit supplied in response to effective demands for rural development purposes.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 31, 1971.

Hon. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: The Secretary of Agriculture has requested that the Department of Health, Education, and Welfare prepare answers to several questions submitted by you following the April 23rd hearing on revenue sharing before the Subcommittee on Rural Development.

Enclosed are responses to questions 16, 19, 37, 176, 206, and 212.

If you should have any further questions regarding the enclosed information, please let me know.

With best wishes,

Sincerely,

STEPHEN KURZMAN,
Assistant Secretary for Legislation.

(The enclosures are as follows:)

Question. Most of us recognize that the different States vary in their abilities to raise the revenue necessary to meet the modern demands for public and community facilities and services at levels consistent with our current ideas of quality of life and living standards. Many years ago, many States inaugurated what became known as educational equalization programs. Can you provide the Subcommittee with a record of that experience and an analysis and evaluation of how it applies, in your judgment, to the current general and special revenue sharing proposals?

Answer. The most recent complete analysis of State equalization programs is for 1959–60. This is a study done every ten years by the U.S. Office of Education and the 1969–70 study is currently underway. An examination of the tables and charts of Chapter II of *Profiles in School Support*, pp. 13–74, attached, gives a quick indication of the range of expenditures per classroom unit for each State. Chart four on page 68 gives a summary view for both 1949–50 and 1959–60. The States with the shortest bars on the chart can be considered those with the high-

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est equalization intra-State. The chart also illustrates the wide variation in average expenditures per State for the Nation as a whole. Chart four indicates that while there had been a substantial increase in expenditures in the decade, the patterns of equalization had not improved overall. Also enclosed are two more recent publications. Chapter 1 of *State Programs for Public School Support* explains how State supported programs work and *Public School Finance Programs, 1968–69*, provides the most recent summary data available on State supported programs.

(The chart referred to above is as follows:)

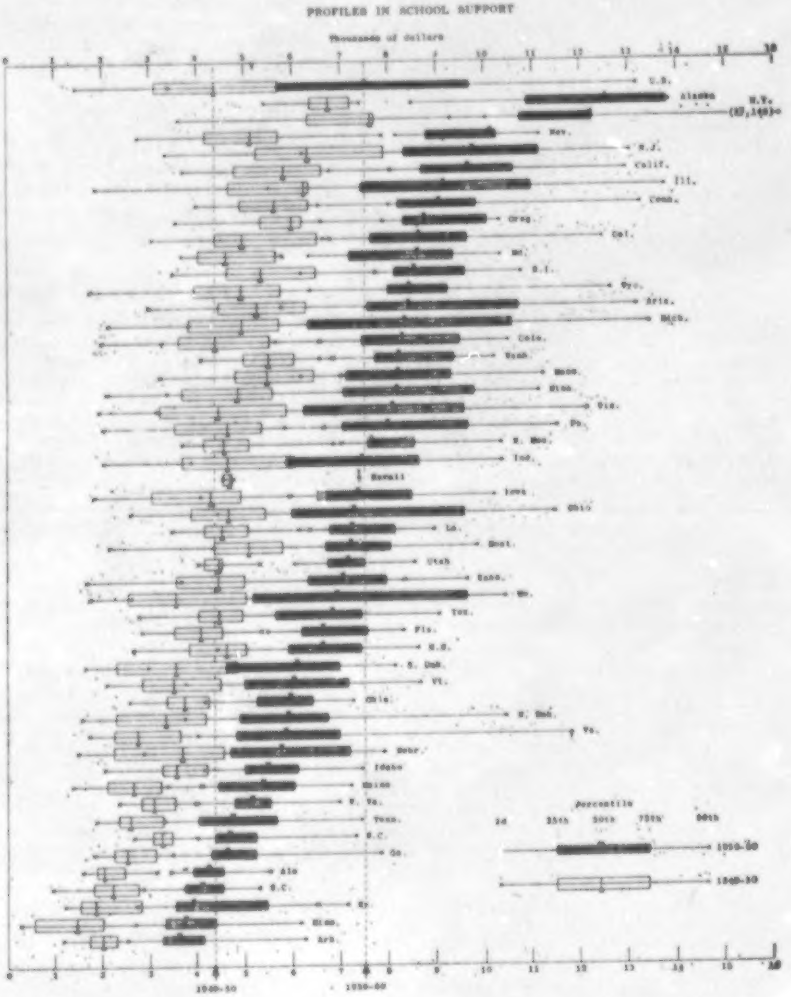

Chart 4.—Ranges of expenditure per classroom unit, by State: 1949–50 and 1959–60, United States

The Advisory Commission on Intergovernmental Relations issued a report on *State Aid to Local Government* (A-34) in April 1969. A copy of Chapter III, "Financing Local Schools—A State Responsibility," is attached. Pages 39–44 of that chapter give a brief history of the development of State foundation equalization programs. The report basically concludes that State aid equalization formulas for education do not, in fact, assure equal educational opportunity throughout a State. Substantial variations in per-pupil expenditure are the rule, not the exception; and most distribution formulas ignore the critical need for extra money to go to those districts where the poor tend to congregate.

In the case of general revenue sharing, a State might choose to use a portion of the funds for education and apply that portion to the equalization or foundation program. While there would be variations in the degree of equalization involved, depending upon the State, it would be an acceptable procedure meeting already established State standards. A State could, if it chose, also design other methods for utilizing or distributing general revenue sharing funds for educational purposes.

For special revenue sharing, the State equalization or foundation program would have little significance. The Education Special Revenue Sharing funds would still be spent in five areas of education, none of which would use the foundation program for distribution purposes. However, under the more flexible features of revenue sharing, a State could more readily coordinate Federal education support funds with State funds in the same area.

(NOTE.—The documents referred to above are on file with the subcommittee.)

Question. Is the Foster Grandparents Program affected by the rural revenue sharing proposal or one of the other special revenue sharing proposals? How?

Answer. The Department of Health, Education, and Welfare is in the final stages of transferring the Foster Grandparent Program (along with the Retired Senior Volunteers Program) to the new agency ACTION. Under the terms of the reorganization plan, the program will be transferred intact in its existing format; that is, as a project grant program. As of July 1, 1971, administration and budget decisions concerning the Foster Grandparent Program will be made by the Director of ACTION, thus he will control the future posture of that Program with respect to its relation to the revenue sharing proposal.

Question. Under the education revenue sharing proposal would funds now appropriated for school lunch and the special school milk program be phased into the new revenue sharing payments? Can you give us an estimate of how the expected school lunch expenditures under the education revenue sharing proposal might compare with the current level of Federal expenditures for school lunch purposes? Would the financing of free school lunches for children of disadvantaged families continue under the new proposal?

Answer. Education revenue sharing would include only the program currently conducted under Section 4 of the National School Lunch Act, the basic support program. Other existing programs, such as the program of free and reduced-price lunches for needy children, would continue to be administered by the Department of Agriculture.

The figure of $175 million reflected in education revenue sharing for school lunch activities was computed on a concept that the general support for non-needy school children would be included in revenue sharing. Assistance for needy children will be handled separately by the Federal Government.

The school milk program is not included in education revenue sharing. However, the President's budget for fiscal year 1972 does not request funds for this program, in the light of the existence of the broader and more comprehensive school lunch program.

It is not possible to estimate what percentage of their education revenue sharing funds States will decide to spend on school lunch programs. One of the most important features of revenue sharing is that States are free to design programs to meet their own special needs. We presume, however, that States will continue to provide basic support for school lunches from shared revenues.

Question. Will comprehensive State health and mental health planning activities as carried out by means of Federal grants (Section 314 of the Public Health Service Act) be coordinated with the State planning required under the rural revenue sharing proposal? Will you examine this feature of the State plan in the course of your review as Secretary of Agriculture?

Answer. There is no language in the rural revenue sharing proposal, relating to State planning, to prevent coordination with comprehensive State health and mental health planning activities carried out by Federal grants (Section 314 of the Public Health Service Act). Since the provisions of Sec. 314 of the PHS Act require that all health activities in a State, rural and otherwise, be considered in developing comprehensive State health planning, it is contemplated that State health planning will be coordinated with planning for rural development to the extent that rural development activities include health and health-related activities.

Question. How much additional investment in school buildings and equipment and in annual costs of increased administrative personnel and teachers' salaries do you estimate would be required to bring the quality of education in rural areas as defined in the revenue sharing proposal up to the same level of that in non-rural areas? Please provide your best estimate and indicate the degree of confidence you have in your estimate and why.

Answer. HEW (or the Government) does not collect educational information on a rural basis, consequently, current data is not available on the condition of school buildings nationally or for rural schools. In matters of salary, it is not possible to bring rural to the level of non-rural in dollar terms, due to differences in costs of living and prevailing wages. Due to lack of informational resources, an estimate, however crude, is not feasible.

Question. Would the PACE program (Projects to Advance Creativity in Education) be continued under the revenue sharing proposal? Could rural revenue sharing funds be used by the local school district to match such formula grants from the Department of Health, Education, and Welfare?

Answer. One of the programs proposed to be merged into education revenue sharing is the PACE program, Title III of the Elementary and Secondary Education Act. States would be free to continue these innovative programs with shared revenues, under the area supporting tax purchase of Materials and Services.

Section 312 of the Rural Community Development Revenue Sharing Act of 1971 explicitly provides that rural community development funds may be used by a State or local government as matching shares for Federal grant programs which contribute to rural development. No matching is required for any education revenue sharing program. However, a State or local community would be able to invest rural revenue sharing funds in a project basically funded by education revenue sharing, in order to increase the amount available for the project.

STATE DEPARTMENT OF AGRICULTURE,
Oklahoma City, Okla., August 20, 1971.

Hon. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: Your letter to the Honorable David Hall, Governor of Oklahoma, concerning rural community development was referred to me for reply.

We will answer the questions posed concerning [illegible] problems in rural areas with economic development and social improvement in the order listed in your letter.

1. Views and Opinions as to What the Problems of Rural America are.

A. The primary problem of rural America is the inability to effectively compete in the provision of community services with the urban areas. These services include health, education, culture, recreation, water, sewer, housing, fire protection, police protection, waste disposal and many others. While it has been stated the costs of providing these services in urban areas is greater than in some small populated areas, the fact still remains that the rural areas have not been able to organize and finance the effective provision of these services.

B. In the rural areas there are considerably more limited employment opportunities and alternatives. Many people in the rural areas may be locked into a fifty percent underemployment situation. That is, they may have land resources that will only employ fifty percent or so of their time and effort. It is easy to say that they should dispose of the land and go into some other occupation. However, many of these people are beyond the age where they can easily change jobs or are not in a position to go through a retraining process or simply not psychologically fitted for moving into the urban area. Changing technologies are having a greater and greater impact on this situation.

C. The rural areas, especially those that are experiencing a declining population, are also experiencing increasing costs of providing government services.

D. There is difficulty in rural areas of establishing and maintaining control over the environment and the area. For example rural zoning is much more difficult to establish and control than is urban zoning.

E. The relative difference in opportunities has caused a gradual erosion of leadership in many rural areas thus resulting in even greater difficulty of organizing and establishing progressive development programs.

F. The attitude of rural areas is sometimes different from those of the cities; there is an attitude of hopelessness, a lack of alternative, despair, and in many cases complete apathy.

G. As a result of a combination of many of these problems there are, in many cases, lower average incomes in rural areas than in corresponding urban areas.

2. Opinion on the Impact of These Rural Problems on Urban America.

A. Many people have moved to the urban area to "enjoy" the fruits of the urban environment only to find bitter disappointment because of their lack of training for the jobs available for the strange and different surroundings to which they are not adjusted and the increase in congestion, crime, pollution and in many cases, higher costs of living. It may in fact cost society much more to provide the needs in an urban setting than in a rural setting. That is, it may be much more economical to provide health services, educational services and even recreational and cultural activties in smaller towns and communities than to allow these people from these dying towns and communities to migrate into the cities and eventually cost society a much higher per capita amount in the city situation. In addition, an investment in rural survivorship may diminsh secondary problems of crime, drugs, pollution, health and the other problems that are generally associated with the troublesome situation in the innercity of today.

B. A still more costly problem may in fact be the tremendous increase in cost of providing food, fiber and open space recreational type activities in the future. If because of the economic and social conditions the farm and rural segment of America is for all intents and purposes destroyed, then the entire population will find not only its food and fiber costs tremendously increased but the outdoor open-space recreational type of activties tremendously curtailed.

3. The need for a National Growth Policy.

It requires only a cursory glance at the dramatic trends in shifts of population and other problems of rural and urban America to force one to the conclusion that we do, in fact, need some policies for national growth. We need a policy that will provide for the development of the human resource as well as the usual concept of economic growth. The concept of growth centers and districts only partially answers the problem. This concept may force individual disruption toward the growth center and may hasten the demise of the smaller communities. We suggest that a national growth policy should have the following considerations:

A. Will not only reward individual productivity, but also provide for the opportunity for maximum individual resource development.

B. Granting that mobility is necessary and that some travel is necessary, provide a minimum burden of daily travel effort, time and expense.

C. Assure that growth in one area is not at the expense of another area, perhaps resulting in a total net loss to the nation as a whole or society in general.

D. Assure that growth results in no wasteful consumption or depletion of the total fund of resources either human, natural, man-made or instiutional.

E. Consider the net effect on the world economy and ecology.

F. Is stable, not disastrously cyclical.

G. Does not jeopardize or mortgage the opportunity and the assets of future generations.

4. Experience in Dealing with Federal Programs aimed at the Development and Improvement of the Rural areas of Oklahoma.

Many state agencies are involved and cooperate in rural development. Some of the principal ones are the Office of Community Affairs and Planning, Industrial

Development and Parks Department, State Departments of Agriculture, Health, Education, Welfare, and Highway.

Oklahoma State University Extension Service assumed leadership to organize the Oklahoma USDA Rural Development Committee which includes Farmers Home Administration, ASCS, Soil Conservation Service, Extension Service, Economic Research Service, Experiment Station, Forest Service, REA and a representative of the Governor's Office. These agencies have worked very closely in analyzing problems and developing programs which will aid in the rural development of the state.

This Committee has also been instrumental in organizing a State Rural Affairs Council which consists of sixty-eight representatives of federal, state and local agencies and nonagency persons.

The programs of the Oklahoma State University Extension Service have been of three basic types:

A. Informational: provided basic facts on provisions, eligibility, benefits, costs, administration, scope, and how to apply for the wide range of federal programs. These informational programs have included, but are not limited to EDA, Ozarks Regional Commission, OEO, Community Action Programs, Bureau of Indian Affairs, Title I and Title VII of the Higher Education Act, FHA water and sewer programs, and programs in agriculture, family living, marketing, 4-H and other youth.

B. Educational Programs to teach individuals, groups and leaders how to identify and analyze problems, evaluate alternatives, establish priorities, set goals, develop and carry out plans and evaluate results in a wide range of problems or needs in order that they may more efficiently and effectively utilize the federal resources available and applicable.

C. Action Programs—Extension leaders and other university leaders have helped prepare and revise applications and project proposals and have helped organize groups to administer these programs once they have been in operation. These include assistance to organization of community action programs, economic development districts, substate planning districts, cooperatives and others.

5. The State Laws and State Program Aimed at the Development of the Rural Areas in Oklahoma.

See Attachment.

6. Experience in the Planning of the Economic Development of Oklahoma.

Oklahoma State University and state agencies have been involved in actual analysis of data and information on trends, growth and declines of various areas; in determining the causes of changes; evaluating the impact of trends and changes; identifying adjustment needs; suggesting alternatives; helping people develop plans; and conducting feasibility studies on specific activities. We have also attempted to teach these skills and analysis to individual leaders and groups interested in development. We have provided information, instruction and assistance in the preparation of seventy-seven county OEDP's under which the counties determined their problems and laid out goals for progress; and assisted in the preparation of comprehensive water and sewer plans in a number of counties and in several district OEDP's.

If we can be of further assistance to you in these matters, please feel free to call upon us.

Sincerely,

BILLY RAY GOWDY, *President.*

(The attachment is as follows:)

OKLAHOMA STATUTES—TITLE 74, CHAPTER 41

CHAPTER 41. OFFICE OF COMMUNITY AFFAIRS AND PLANNING (NEW) SECTION 1501

Legislative findings—Intent.

The Legislature finds that:

(1) the rapid growth being experienced by many communities within the State presents new and significant problems for governmental units in providing necessary public services and in planning and developing desirable living and working areas;

(2) many local governments are in need of advice and assistance in meeting their responsibilities;

(3) the full and effective use of the many programs of the federal government affecting community development necessitating full cooperation and coordination of existing state and local governmental agencies;

(4) the coordination of existing state activities which affect the communities of the state requires the establishment of machinery within state government to administer new and existing programs to meet these problems;

(5) it is the responsibility of the state to assist communities in meeting these problems in whatever way possible including technical and financial assistance.

It is therefore the purpose of this act to establish a state agency for state planning to aid in providing financial and technical assistance to the communities of the state, to otherwise assist in community planning and development, and to promote such health and living standards and conditions as the welfare of the people of the state may require. Laws 1970, c. 251, §1.

TITLE OF ACT

An Act relating to state officers and employees; expressing intent of the act; defining terms; creating the Office of Community Affairs and Planning; providing for Administrator of Office of Community Affairs and Planning; providing for his appointment by Governor and authorizing Governor to fix salary; defining duties and powers of Administrator; providing for functions and responsibilities for Office of Community Affairs and Planning; transferring certain duties of Division of Research and Planning of the Industrial Development and Park Department to Office of Community Affairs and Planning; providing for transfer of employees from the Division of Research and Planning of the Industrial Development and Park Department and providing for personnel status; creating Governor's Council on Community Affairs; amending Section 14, Chapter 398, O.S.L. 1965 (74 O.S. Supp. 1969, §1114) to delete certain duties of Division of Research and Planning of the Industrial Development and Park Department; repealing all conflicting laws; providing effective date; and providing for severability. Laws 1970, c. 251.

Section 1502. Definitions.— For the purpose of this act and unless the context shall clearly indicate otherwise:

(1) "Office" means the Office of Community Affairs and Planning as created in Section 3 of this act.

(2) "Administrator" means the Administrator of the Office of Community Affairs and Planning. Laws 1970, c. 251, § 2.

Section 1503. Office created.—There is hereby created in the Executive Department of state government the Office of Community Affairs and Planning. Laws 1970, c. 251 §3.

Section 1504. Administrator—Appointment—Salary.—The Administrator of the Office of Community Affairs and Planning shall be appointed by the Governor and shall hold office at the pleasure of the Governor. He shall be paid a salary to be fixed by the Governor and shall give bond for the faithful performance of his duties in an amount to be fixed by the Governor; the salary shall not exceed Seventeen Thousand Five Hundred Dollars ($17,500.00) annually. Laws 1970, c. 251, §4.

Section 1505. Duties of Administrator.—The Administrator shall supervise and administer the activities of the Office of Community Affairs and Planning and shall advise the Governor and the Legislature with respect to matters affecting planning and community affairs generally and more especially on the extent the state should participate in such planning and community affairs.

The Administrator may enter into contracts on behalf of the state to carry out the purposes of this act; he may act for the state in the initiation of or participation in any multigovernmental agency program relative to the purposes of this act; and he may accept gifts and grants, whether such grants be of federal or other funds. When federal or other funds are received by the Administrator they shall be promptly transferred to the State Treasurer and thereafter expended on warrants issued by the State Auditor. Laws 1970, c. 251, §5.

Section 1506. Budget—Reports.—The Administrator shall prepare and submit for executive and legislative action a budget for the Office of Community Affairs and Planning; he shall make an annual report to the Governor and to the Legislature on the activities of the office and the nature of existing community problems; and he shall do all other things necessary and proper to carry out the purposes of this act. Laws 1970, c. 251, §6.

Section 1507. Functions and responsibilities of Office.—The Office of Community Affairs and Planning shall have the following planning functions and responsibilities:

(1) Provide technical assistance to the Governor and the Legislature in identifying long-range goals for the state.

(2) Prepare a comprehensive plan for the development of the state, for programming its facilities and services, and for guidance of private activities and public programs at all levels of government. Plan elements may include but shall not be limited to transportation, scenic highways, public facilities, recreation, open spaces, natural resources, patterns of urban and rural development, and quality of the natural and man-made environment.

(3) Provide assistance and coordination to other state agencies for preparation of agency plans and programs.

(4) Provide such general coordination and review of plans in functional areas of state government as may be necessary for receipt of federal or state funds.

(5) Participate with other states or subdivisions thereof in interstate planning, and assist cities, counties, municipal corporations, governmental conferences or councils and regional planning commissions to participate with other states or their subdivisions in planning.

(6) Assist other state agencies and officers in capital improvement programming and other programming activities.

(7) Encourage educational and research programs that further planning and community development, and provide administrative and technical services therefor. Laws 1970, c. 251, § 7.

Section 1508. Community affairs functions and responsibilities.—The Office of Community Affairs and Planning shall have the following community affairs functions and responsibilities:

(1) Administration or coordination of state programs and projects relating to community affairs for the planning and carrying out of the acquisition, preservation, use and development of land and provision of public facilities and services for fully carrying out the state's role in related federal grant or loan programs.

(2) Where not otherwise authorized by state law, provide state financial participation with cities, towns, counties, and other municipal corporations in financing public works projects and service programs. The assisted projects and programs shall be consistent with local, regional and state comprehensive plans and policies.

(3) Coordinate and review applications for federal grants-in-aid as required by the federal government.

(4) Cooperate with and provide technical and financial assistance to counties, cities, municipal corporations, and agencies owned and controlled by them, governmental conferences or councils, regional planning commissions, community development groups, community action agencies, Indian tribes, and similar agencies created for the purposes of aiding and encouraging an orderly, productive and coordinated development of the state, and to strengthen local planning responsibility and capability.

(5) Assist the Governor in coordinating the activities of state agencies which have an impact on the solution of community development problems and the implementation of community plans.

(6) Encourage and, when requested, assist the efforts of local governments to develop mutual and cooperative solutions to their common problems.

(7) Study existing legal provisions that affect the structure and financing of local government and those state activities which involve significant relations with local governments and agencies owned by them and recommend to the Governor and the Legislature such changes in these provisions and activities as may seem necessary to strengthen local government.

(8) Serve as a clearinghouse for information, data, and other materials which may be helpful or necessary to local governments to discharge their responsibilities, and provide information on available federal and state financial and technical assistance.

(9) Carry out continuing studies and analyses of the problems faced by communities within the state and develop such recommendations for administrative or legislative action as would appear necessary. In carrying out such studies and analyses, particularly attention should be paid to the problems of regional, metropolitan, urban, suburban, rural, and other areas in which economic and population factors are rapidly changing.

(10) Develop and/or test model or demonstration programs and projects, which may include contracting to administer certain functions or services of the state for such purposes and otherwise provide a program of practical research in the solution of community problems. Laws 1970, c. 251, § 8.

Section 1509. Coordination of activities and programs.—All activities and programs of other state agencies which might have an impact on community affairs shall be fully coordinated with the Office of Community Affairs and Planning. Laws 1970, c. 251, § 9.

Section 1510. Filing of plans—Review and recommendations.—All comprehensive plans, or amendments thereto, to be financed in whole or in part by state of federal funds, being considered by any county, city, municipal corporation, governmental conference or council, or regional planning commission shall be filed with the Office of Community Affairs and Planning for review and recommendation prior to adoption. The Office of Community Affairs and Planning shall communicate its comments and recommendations to the proponent within thirty (30) days following receipt of such plans or amendments unless the proponent shall authorize a longer time. Such comments and recommendations shall be advisory only. Failure of any county, city, municipal corporation, or governmental unit to comply with the provisions of this section shall not invalidate any comprehensive plan or any amendments thereto, otherwise enacted according to law. Laws 1970, c. 251, § 10.

Section 1511. Transfer of certain duties of Division of Research and Planning to Office—Status of Personnel.—A. All duties and functions relating to state, regional, and community planning heretofore provided by law to be performed by the Division of Research and Planning of the Industrial Development and Park Department shall hereafter be performed by the office. The office shall succeed to all property, documents, records, assets and obligations of the Division of Research and Planning of the Industrial Development and Park Department pertaining to these duties and functions.

B. All employees of the Division of Research and Planning of the Industrial Development and Park Department who are employed exclusively or principally in performing the powers, duties and functions transferred by this act to the Office of Community Affairs and Planning shall, upon effective date of this bill, be transferred to the Office of Community Affairs and Planning. All such employees except the Administrator and his Executive Secretary shall be classified employees of the State Merit System.

C. Insofar as practicable and desirable, all pending matters pertaining to the duties and functions transferred by this act in the Division of Research and Planning of the Industrial Development and Park Department shall be completed by the office.

D. All appropriations heretofore or hereafter made to the Division of Research and Planning of the Industrial Development and Park Department pertaining to the duties and functions transferred by this act are transferred to the office upon the effective date of this act and shall continue to be available for the purposes for which they were made. Laws 1970, c. 251, § 171.

Section 1512. Council on Community Affairs.—

A. There is hereby established the "Council on Community Affairs" which shall serve as a central vehicle for communication between local governments and the office. Members of the council shall be appointed by the Governor and shall be broadly representative of local government. No member of the council appointed by virtue of his position in local government who ceases to hold that position shall continue to serve on the council. The council shall consist of one member from each Planning Region as delineated and established under the provisions of Section 1108a, Title 74, O.S. Supp. 1969, to be appointed by the Governor. Such members shall be residents of the Planning Region from which appointed. The terms of the members appointed from the first three Planning Regions as delineated and established by law shall be for one year each; the terms of the members appointed from the next four such Planning Regions established shall be for two years each; and the terms of the members appointed from the next four such Planning Regions established shall be for three years each. At the expiration of the term of each member and each succeeding member, the Governor shall appoint a successor who shall serve for a term of three years. Vacancies on the council shall be filled in the same manner as the original appointments and shall be for the unexpired term. The Governor shall name the Chairman. The council is hereby authorized to adopt rules of procedure; provided, however, that not to exceed one meeting per month may be held after the first year of operation.

B. The Council on Community Affairs shall recommend to the Governor and the Legislature such action as it may deem desirable to improve the quality, organization and functioning of local government in Oklahoma.

C. All members of the Council shall serve without compensation but shall be entitled to reimbursement for actual and necessary expense incurred in the performance of their official duties out of any funds appropriated to the Office of Community Affairs and Planning for such purpose. Laws 1970, c. 251, § 12.

Section 1513. All laws or parts of laws in conflict herewith are hereby repealed. Laws 1970, c. 251, § 14.

Section 1514. Effective date.—This act shall be effective February 1, 1971. Laws 1970, c. 251, § 15.

Section 1515. Partial invalidity.—If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected. Laws 1970, c. 251, § 16.

Section 1516. Severability.—The provisions of this act are severable and if any part or provision hereof shall be held void the decision of the court so holding shall not affect or impair any of the remaining parts or provisions of this act. Laws 1970, c. 251, § 17.

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